

TOWN OF WELSH, LOUISIANA

Financial Report

Year Ended May 31, 2023

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INDEPENDENT AUDITOR'S REPORT

The Honorable Karl Arceneaux, Mayor
and Board of Alderman
Town of Welsh, Louisiana

Report on Audit of the Financial Statements

Opinions

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 Welsh, Louisiana (the Town) as of and for the year ended May 31, 2023, and the related notes to the financial statements, which collectively comprise the Town of Welsh's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of May 31, 2023, and the respective 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 22 to the financial statements, in 2023, the Town adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we exercise professional judgement and maintain professional skepticism throughout the audit. We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. We obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed. We evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements. We conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that were identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of employer's share of net pension liability, and schedule of employer contributions on pages 45 through 48 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 our 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 Town has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The other supplementary information on pages 52 through 59 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The comparative statements on pages 52 and 56 through 58, and the justice system funding schedule on page 59, 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. The 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, these statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The prior year comparative amounts were derived from the Town's 2022 financial statements, which were 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, and, in our opinion were fairly presented in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the comparative detailed budget comparison schedules on 53 through 55 but does not include the basic financial statements and the auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an incorrect material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated September 6, 2023, on our consideration of the Town of Welsh, Louisiana'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's 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.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
September 6, 2023

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

TOWN OF WELSH, LOUISIANA

Statement of Net Position
May 31, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and interest-bearing deposits	\$ 1,232,460	\$ 854,117	\$ 2,086,577
Investments	2,405,926	768,255	3,174,181
Receivables, net	145,061	348,794	493,855
Internal balances	3,055	(3,055)	-
Due from other governmental agencies	515,738	221,103	736,841
Inventories	-	171,476	171,476
Total current assets	<u>4,302,240</u>	<u>2,360,690</u>	<u>6,662,930</u>
Noncurrent assets:			
Restricted assets -			
Cash and interest-bearing deposits	4,427	195,416	199,843
Investments	128,501	115,610	244,111
Capital assets -			
Land and construction in progress	179,732	200,704	380,436
Capital assets, net	<u>3,251,636</u>	<u>7,790,247</u>	<u>11,041,883</u>
Total noncurrent assets	<u>3,564,296</u>	<u>8,301,977</u>	<u>11,866,273</u>
Total assets	<u>7,866,536</u>	<u>10,662,667</u>	<u>18,529,203</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>398,948</u>	<u>205,271</u>	<u>604,219</u>
LIABILITIES			
Current liabilities:			
Accounts, salaries, and other payables	303,101	173,660	476,761
Customer deposits	-	72,329	72,329
Unearned revenue	1,194,486	-	1,194,486
Notes payable	142,071	-	142,071
Bonds payable	-	36,000	36,000
Accrued interest	-	1,924	1,924
Total current liabilities	<u>1,639,658</u>	<u>283,913</u>	<u>1,923,571</u>
Noncurrent liabilities:			
Compensated absences	24,347	7,327	31,674
Notes payable	1,253	-	1,253
Bonds payable	-	567,091	567,091
Net pension liability	<u>863,277</u>	<u>544,986</u>	<u>1,408,263</u>
Total noncurrent liabilities	<u>888,877</u>	<u>1,119,404</u>	<u>2,008,281</u>
Total liabilities	<u>2,528,535</u>	<u>1,403,317</u>	<u>3,931,852</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>73,391</u>	<u>12,759</u>	<u>86,150</u>
NET POSITION			
Net investment in capital assets	3,288,044	7,385,936	10,673,980
Restricted:			
Sales tax dedications	642,859	-	642,859
Drug law enforcement	4,427	-	4,427
Debt service	-	85,163	85,163
Unrestricted	<u>1,728,228</u>	<u>1,980,763</u>	<u>3,708,991</u>
Total net position	<u>\$ 5,663,558</u>	<u>\$ 9,451,862</u>	<u>\$ 15,115,420</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WELSH, LOUISIANA

Statement of Activities
For the Year Ended May 31, 2023

Activities	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 556,384	\$ 205,983	\$ -	\$ -	\$ (350,401)	\$ -	\$ (350,401)
Public safety	1,700,035	659,078	203,847	-	(837,110)	-	(837,110)
Public works	401,956	-	-	408,262	6,306	-	6,306
Culture and recreation	154,079	58,326	-	-	(95,753)	-	(95,753)
Interest on long-term debt	4,482	-	-	-	(4,482)	-	(4,482)
Total governmental activities	<u>2,816,936</u>	<u>923,387</u>	<u>203,847</u>	<u>408,262</u>	<u>(1,281,440)</u>	<u>-</u>	<u>(1,281,440)</u>
Business-type activities:							
Water utility	559,045	412,563	-	-	-	(146,482)	(146,482)
Sewer utility	500,766	498,243	-	-	-	(2,523)	(2,523)
Electric utility	3,366,010	4,020,014	-	-	-	654,004	654,004
Sanitation utility	175,247	434,820	-	-	-	259,573	259,573
Total business-type activities	<u>4,601,068</u>	<u>5,365,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>764,572</u>	<u>764,572</u>
Total	<u>\$ 7,418,004</u>	<u>\$ 6,289,027</u>	<u>\$ 203,847</u>	<u>\$ 408,262</u>	<u>\$ (1,281,440)</u>	<u>\$ 764,572</u>	<u>(516,868)</u>
General revenues:							
Taxes -							
Property taxes, levied for general purposes					123,164	-	123,164
Sales and use taxes, levied for general purposes					1,169,058	-	1,169,058
Franchise taxes					46,413	-	46,413
Grants and contributions not restricted to specific programs					24,076	-	24,076
Jefferson Davis Parish Sanitary Landfill Commission					395,555	-	395,555
Non-employer pension contribution					20,738	18,037	38,775
Interest and investment earnings					86,661	29,259	115,920
Miscellaneous					115,635	-	115,635
Transfers					<u>110,000</u>	<u>(110,000)</u>	<u>-</u>
Total general revenues and transfers					<u>2,091,300</u>	<u>(62,704)</u>	<u>2,028,596</u>
Change in net position					809,860	701,868	1,511,728
Net position - June 1, 2022					4,853,698	8,749,994	13,603,692
Net position - May 31, 2023					<u>\$ 5,663,558</u>	<u>\$ 9,451,862</u>	<u>\$ 15,115,420</u>

The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS (FFS)

FUND DESCRIPTIONS

MAJOR FUNDS

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Special Revenue Fund

1996 Sales Tax Fund -

To account for the receipt and use of proceeds of a 1% sales and use tax to be used for constructing, improving, resurfacing and maintaining public streets, alleys and sidewalks, including drainage, and acquiring equipment therefore and to be funded into bonds.

Enterprise Fund

Utility Fund -

To account for the provision of electrical, water, sewer, and sanitation services to the residents of the Town. All activities necessary to provide such services are accounted for in these funds, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

TOWN OF WELSH, LOUISIANA

Balance Sheet
Governmental Funds
May 31, 2023

	<u>General</u>	<u>1996 Sales Tax Fund</u>	<u>Nonmajor Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and interest-bearing deposits	\$1,212,279	\$ 18,830	\$ 1,351	\$ 1,232,460
Investments	2,405,926	-	-	2,405,926
Receivables:				
Taxes	2,282	-	-	2,282
Accounts	142,779	-	-	142,779
Due from other governmental agencies	55,956	459,782	-	515,738
Due from other funds	1,249	37,442	88	38,779
Restricted assets:				
Interest bearing deposits	4,427	-	-	4,427
Investments	-	128,501	-	128,501
Total assets	<u>\$3,824,898</u>	<u>\$ 644,555</u>	<u>\$ 1,439</u>	<u>\$ 4,470,892</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 260,930	\$ -	\$ -	\$ 260,930
Accrued expenses	40,475	1,696	-	42,171
Unearned revenue	1,194,486	-	-	1,194,486
Due to other funds	35,724	-	-	35,724
Total liabilities	<u>1,531,615</u>	<u>1,696</u>	<u>-</u>	<u>1,533,311</u>
Fund balances:				
Restricted for sales tax dedications	-	642,859	-	642,859
Restricted for drug law enforcement	4,427	-	-	4,427
Unassigned	2,288,856	-	1,439	2,290,295
Total fund balances	<u>2,293,283</u>	<u>642,859</u>	<u>1,439</u>	<u>2,937,581</u>
Total liabilities and fund balances	<u>\$3,824,898</u>	<u>\$ 644,555</u>	<u>\$ 1,439</u>	<u>\$ 4,470,892</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WELSH, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
May 31, 2023

Total fund balances for governmental funds at May 31, 2023			\$2,937,581
Total net position reported for governmental activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			
Capital assets, net			3,431,368
The deferred outflows of expenditures for the municipal and police employees retirement systems are not a use of current resources, and therefore, are not reported in the governmental funds.			398,948
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
Notes payable		\$(143,324)	
Compensated absences		(24,347)	
Net pension liability		<u>(863,277)</u>	(1,030,948)
The deferred inflows of contributions for the municipal and police employees retirement systems are not available resources, and therefore, are not reported in the governmental funds.			<u>(73,391)</u>
Total net position of governmental activities at May 31, 2023			<u>\$5,663,558</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WELSH, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Year Ended May 31, 2023

	General	1996 Sales Tax Fund	Nonmajor Fund	Total Governmental Funds
Revenues:				
Taxes	\$ 754,106	\$ 584,529	\$ -	\$ 1,338,635
Licenses and permits	205,983	-	-	205,983
Intergovernmental	227,923	408,262	-	636,185
Charges for services	58,326	-	-	58,326
Fines and forfeits	659,078	-	-	659,078
Jefferson Davis Parish Sanitary Landfill	395,555	-	-	395,555
Miscellaneous	193,116	9,180	-	202,296
Total revenues	<u>2,494,087</u>	<u>1,001,971</u>	<u>-</u>	<u>3,496,058</u>
Expenditures:				
Current -				
General government	500,162	21,807	-	521,969
Public safety	1,515,874	-	-	1,515,874
Public works	-	323,437	-	323,437
Culture and recreation	140,675	-	-	140,675
Capital outlay	241,267	791,401	-	1,032,668
Debt service	-	52,108	-	52,108
Total expenditures	<u>2,397,978</u>	<u>1,188,753</u>	<u>-</u>	<u>3,586,731</u>
Excess (deficiency) of revenues over expenditures	<u>96,109</u>	<u>(186,782)</u>	<u>-</u>	<u>(90,673)</u>
Other financing sources / (uses):				
Transfers in	190,000	-	-	190,000
Transfers out	(80,000)	-	-	(80,000)
Total other financing sources	<u>110,000</u>	<u>-</u>	<u>-</u>	<u>110,000</u>
Net changes in fund balances	206,109	(186,782)	-	19,327
Fund balance, beginning	<u>2,087,174</u>	<u>829,641</u>	<u>1,439</u>	<u>2,918,254</u>
Fund balances, ending	<u>\$ 2,293,283</u>	<u>\$ 642,859</u>	<u>\$ 1,439</u>	<u>\$ 2,937,581</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WELSH, 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 May 31, 2023

Total net changes in fund balances at May 31, 2023, per
statement of revenues, expenditures, and changes in fund balances \$ 19,327

The change in net position reported for governmental activities in the
statement of activities is different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 1,032,668	
Depreciation expense	<u>(251,512)</u>	781,156

Notes payable proceeds are reported as financing sources in the
governmental funds and thus contribute to the change in fund balance.
In the statement of net position, however, issuing debt increases
long-term liabilities and does not affect the statement of activities.
Similarly, repayment of principal is recorded as an expenditures in the
statement of revenues, expenditures, and changes in fund balances
whereas the payment reduces the balance of notes payable in the
statement of net position

Principal payments		47,626
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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 the governmental funds.

Pension expense	(34,640)	
Compensated absences	<u>(24,347)</u>	(58,987)

Because some revenues are not considered measurable at year-end,
they are not considered "available" revenues in the governmental funds.

Nonemployer pension contributions		<u>20,738</u>
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Total changes in net position at May 31, 2023, per statement of activities \$ 809,860

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WELSH, LOUISIANA

Statement of Net Position
 Proprietary Fund
 May 31, 2023

	<u>Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and interest-bearing deposits	\$ 854,117
Investments	768,255
Accounts receivable, net	348,794
Due from other governmental agencies	221,103
Inventory	<u>171,476</u>
Total current assets	<u>2,363,745</u>
Noncurrent assets:	
Restricted assets -	
Cash and interest-bearing deposits	195,416
Investments	115,610
Capital assets -	
Land and construction in progress	200,704
Capital assets, net	<u>7,790,247</u>
Total noncurrent assets	<u>8,301,977</u>
Total assets	<u>10,665,722</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>205,271</u>
LIABILITIES	
Current liabilities:	
Accounts payable	153,758
Accrued liabilities	19,902
Due to other funds	3,055
Payable from restricted assets -	
Customer deposits	72,329
Revenue bonds payable	36,000
Interest payable	<u>1,924</u>
Total current liabilities	<u>286,968</u>
Noncurrent liabilities:	
Compensated absences	7,327
Revenue bonds payable	567,091
Net pension liability	<u>544,986</u>
Total noncurrent liabilities	<u>1,119,404</u>
Total liabilities	<u>1,406,372</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>12,759</u>
NET POSITION	
Net investment in capital assets	7,385,936
Restricted for debt service	85,163
Unrestricted	<u>1,980,763</u>
Total net position	<u>\$ 9,451,862</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WELSH, LOUISIANA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended May 31, 2023

	Enterprise Fund
Operating revenues:	
Charges for services	\$ 5,131,263
Sewer dump fees	199,283
Miscellaneous	35,094
Total operating revenues	5,365,640
Operating expenses:	
Salaries	549,692
Payroll taxes	41,627
Retirement	79,729
Group insurance	122,895
Insurance	109,525
Utilities and telephone	96,006
Repairs and maintenance	280,550
Supplies	163,631
Legal and professional fees	154,751
Travel and conferences	5,963
Uniforms	14,567
Office supplies	12,991
Power purchased	2,498,319
Depreciation	337,792
Chemicals	39,423
Bad debt expense	14,287
GASB 68 adjustments	41,426
Miscellaneous	20,583
Total operating expenses	4,583,757
Operating income	781,883
Nonoperating revenues (expenses):	
Investment income	29,259
Interest expense	(17,311)
Non-employer contributions	18,037
Total nonoperating revenues	29,985
Income before transfers	811,868
Transfers:	
Transfers in	80,000
Transfers out	(190,000)
Total transfers	(110,000)
Change in net position	701,868
Net position, beginning	8,749,994
Net position, ending	\$ 9,451,862

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WELSH, LOUISIANA

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended May 31, 2023

Cash flows from operating activities:	
Receipts from customers	\$ 5,400,829
Payments to suppliers	(3,497,958)
Payments to employees	<u>(793,675)</u>
Net cash provided by operating activities	<u>1,109,196</u>
Cash flows from noncapital financing activities:	
Cash received from other funds	<u>(107,034)</u>
Net cash used by noncapital financing activities	<u>(107,034)</u>
Cash flows from capital and related financing activities:	
Purchase and construction of capital assets	(187,412)
Principal payments	(143,000)
Proceeds from grants	11,187
Interest paid	<u>(17,424)</u>
Net cash used by capital and related financing activities	<u>(336,649)</u>
Cash flows from investing activities:	
Purchases of investments	(80,000)
Interest income	<u>646</u>
Net cash used by investing activities	<u>(79,354)</u>
Net increase in cash and cash equivalents	586,159
Cash and cash equivalents, beginning of period	<u>463,374</u>
Cash and cash equivalents, end of period	<u>\$ 1,049,533</u>

(continued)

TOWN OF WELSH, LOUISIANA

Statement of Cash Flows
Proprietary Fund (Continued)
For the Year Ended May 31, 2023

Reconciliation of operating income to net cash provided by
operating activities:

Operating income	<u>\$ 781,883</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	337,792
Bad debt expense	14,287
Pension expense	41,426
Changes in current assets and liabilities:	
Decrease in accounts receivable	37,889
Increase in inventory	(43,990)
Decrease in customer deposits	(2,700)
Decrease in accounts and other payables	<u>(57,391)</u>
Total adjustments	<u>327,313</u>
Net cash provided by operating activities	<u>\$ 1,109,196</u>

Reconciliation of cash and cash equivalents per statement
of cash flows to the balance sheet:

Cash and cash equivalents, beginning of period -	
Cash - unrestricted	\$ 297,376
Cash - restricted	<u>165,998</u>
Total cash and cash equivalents	<u>463,374</u>
Cash and cash equivalents, end of period -	
Cash - unrestricted	854,117
Cash - restricted	<u>195,416</u>
Total cash and cash equivalents	<u>1,049,533</u>
Net increase in cash and cash equivalents	<u>\$ 586,159</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Town of Welsh (Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

The Town of Welsh was incorporated on September 4, 1951, under the provisions of the Lawrason Act. The Town operates under a Mayor-Town Council form of government.

The financial reporting entity should consist of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Section 2100 of the 2011 Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, "Defining the Financial Reporting Entity" establishes criteria for determining which entities should be considered a component unit and, as such, part of the reporting entity for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the primary government's governing authority appoints a majority of board members of the potential component unit and is able to impose its will on the potential component unit or the potential component unit is fiscally dependent on the primary government.
3. Financial benefit/burden relationship between the primary government and the potential component unit.
4. The nature and significance of the relationship between the potential component unit with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

Based on these criteria, the Town did not identify any component units that are required to be reported.

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The various funds of the Town are classified into two categories: governmental and proprietary (enterprise). The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type and
- b. Total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

The major funds of the Town are described below:

Governmental Funds -

General Fund -

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds –

1996 Sales Tax Fund –

The 1996 Sales Tax Fund is used to account for the proceeds of a one percent sales and use tax that is legally restricted to expenditures for specific purposes. These taxes are dedicated as described in note 3.

Proprietary Fund -

Enterprise Fund

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Enterprise Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services as its principal operation. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenditures. The Town's enterprise fund is the Utility Fund.

The Town's nonmajor governmental funds are described below:

LCDBG Fund –

The LCDBG Fund is used to account for the improvements of various projects utilizing proceeds from grant revenues and Town's funds.

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 Town considers revenues to be available within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when a payment is due.

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

Cash and interest-bearing deposits

For purposes of the statement of net position, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposits of the Town. For the purpose of the proprietary fund statement of cash flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments

Under state law, the Town may deposit funds with a fiscal agent organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The Town may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana Law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. In accordance with GASB Codification Section 150, investments meeting the criteria specified in the statement are stated at fair value, which is quoted market prices.

Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

Inventories

Inventories held by the proprietary funds are valued at the lower of cost (first-in, first-out) or market.

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. The major receivable balances for the governmental activities are occupational licenses, sales and use taxes and grants. Business-type activities report federal grants and customer's utility service receivables as their major receivables. Uncollectible utility service receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance for uncollectibles for customers' utility receivables was \$16,702 at May 31, 2023.

Restricted Assets

Restricted assets include cash, interest-bearing deposits, and investments of the governmental funds and proprietary funds that are legally restricted as to their use. The restricted assets are related to debt service accounts, utility meter deposits and drug seizure activities.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide or financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. 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. The Town maintains a threshold level of \$1,500 or more for capitalizing capital assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	10 to 40 years
Utility plant	10 to 50 years
Furniture and equipment	5 to 15 years
Vehicles	5 to 15 years
Infrastructure	40 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

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. The Town recognizes deferred outflows of resources and deferred inflows of resources that are attributable to its pension plans.

Compensated Absences

The Town accrues a liability for compensated absences which meet the following criteria:

- a. The Town's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- b. The obligation relates to rights that vest or accumulate.
- c. Payment of the compensation is probable.
- d. The amount can be reasonably estimated.

In accordance with above criteria the Town has accrued a liability for vacation pay that has been earned but not taken by Town employees. At May 31, 2023, the Town has \$31,674 of noncurrent accumulated leave benefits required to be reported in accordance with GASB Statement No. 16 "Accounting for Compensated Absences".

Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of utility revenue bonds, and notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Equity Classifications

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- b. Restricted net position – Net position is considered restricted if the use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Town's debt. Restricted net position is reduced by liabilities related to the restricted assets. Constraints may be placed on the use, either 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. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project. For the year ended May 31, 2023, the Town reported 732,449 of restricted net position, \$642,859 of which was restricted by enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

In the fund financial statements, governmental fund equity is classified as fund balance. As such, fund balances of the governmental funds are classified as follows:

- a. 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.
- b. 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 the laws or regulations of other governments.
- c. Committed – amounts that can be used only for specific purposes determined by a formal action of the Town Alderman, which is the highest level of decision-making authority for the Town.
- d. Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes determined by a formal decision of the Town's Mayor and Town Alderman.
- e. Unassigned – all other spendable amounts.

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town has provided otherwise in its commitment or assignment actions.

Proprietary fund equity is classified the same as in the government-wide statements.

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

- Governmental Funds - By Character
- Proprietary Funds - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

F. Revenue Restrictions

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u> _____	<u>Legal Restrictions of Use</u> _____
Sales tax	See Note 3
Utility revenues	Debt service

The Town uses unrestricted resources only when restricted resources are fully depleted.

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires 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 and expenditures during the reporting period. Actual results could differ from those estimates.

(2) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. The taxes are based on assessed values determined by the Jefferson Davis Parish Tax Assessor and are collected by the Sheriff. Taxes were billed to taxpayers by the Tax Assessor in November and are due by December 31, becoming delinquent on January 1 of the following year.

For the year ended May 31, 2023, taxes of 6.82 mills were levied on property with assessed valuations totaling \$17,409,070 and were dedicated for general corporate purposes. Total taxes levied for the year ended May 31, 2023 were \$118,728. Taxes receivable at May 31, 2023 amounted to \$2,282.

(3) Dedication of Sales Tax Revenues

Proceeds of a 1% sales and use tax levied by the Town, accounted for in the General Fund, (2023 collections \$584,529) are dedicated to the following purposes: police and fire department stations and equipment, sidewalks, bridges, recreational facilities, drains and drainage facilities, improving and/or maintaining streets and public buildings, and purchasing and acquiring equipment and furnishing public works. The sales tax expires in June 2044.

Proceeds of a 1% sales and use tax levied by the Town, accounted for in the 1996 Sales Tax Fund, (2023 collections \$584,529) are dedicated to the following purposes: constructing, improving, resurfacing and maintaining public streets, alleys and sidewalks, including drainage, and acquiring equipment therefore and to be funded into bonds. The sales tax expires in June 2044.

(4) Cash and Interest-Bearing Deposits

Under state law, the Town may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Town may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At May 31, 2023, the Town has cash and interest-bearing deposits (book balances) totaling \$2,286,420.

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town's deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. 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 pledging financial institution. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit within the financial institution. These securities are held in the name of the pledging financial institution in a holding or custodial bank that is mutually acceptable to both parties.

Deposit balances (bank balances) at May 31, 2023 are secured as follows:

Bank balances	<u>\$2,322,188</u>
Federal deposit insurance	\$ 760,579
Pledged securities	<u>1,561,609</u>
Total	<u>\$2,322,188</u>

Deposits in the amount of \$1,561,609 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent but not in the Town's name. Even though the pledged securities are considered uncollateralized, Louisiana Revised Statute 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. The Town does not have a policy for custodial credit risk.

(5) Investments

Investments held at May 31, 2023 consist of \$3,418,292 in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. 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. 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.

Interest rate risk. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Credit risk. State law limits investments to United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having a principal office in the State of Louisiana. Local governments in Louisiana are authorized to invest in LAMP. The Town has no investment policy that would further limit its investment choices. As of May 31, 2023, the Town's investment in LAMP was rated AAAM by Standard & Poor's.

Concentration of credit risk. The Town places no limit on the amount the Town may invest in any one issuer. All of the Town's investments are in LAMP.

(6) Receivables, net

Receivables at May 31, 2023 consist of the following:

Governmental Activities -	
LAMATS - occupational licenses	45,624
State of Louisiana	97,155
Ad valorem taxes	<u>2,282</u>
Total governmental activities	145,061
Business-Type Activities -	
Accounts, net	<u>348,794</u>
Total receivables, net	<u>\$ 493,855</u>

(7) Due from Other Governmental Agencies

Amounts due from other governmental agencies at May 31, 2023 consisted of the following:

Governmental Activities -	
Jefferson Davis School Board - sales and use taxes	\$ 103,040
State of Louisiana - grants	408,263
Housing Authority - payment in lieu of taxes	<u>4,435</u>
Total governmental activities	<u>515,738</u>
Business-Type Activities -	
FEMA hurricane grant	<u>221,103</u>
Total business-type activities	<u>221,103</u>
Total due from governmental agencies	<u>\$ 736,841</u>

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

(8) Capital Assets

Capital asset activity for the year ended May 31, 2023 was as follows:

	Balance 06/01/22	Additions	Deletions	Balance 05/31/23
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 67,599	\$ -	\$ -	\$ 67,599
Construction in progress	21,505	881,700	791,072	112,133
Capital assets being depreciated:				
Buildings and improvements	2,611,730	85,887	-	2,697,617
Furniture and equipment	1,365,416	65,081	-	1,430,497
Vehicles	1,360,365	791,073	-	2,151,438
Infrastructure	889,495	-	-	889,495
Totals	<u>6,316,110</u>	<u>1,823,741</u>	<u>791,072</u>	<u>7,348,779</u>
Less accumulated depreciation:				
Buildings and improvements	1,580,261	53,652	-	1,633,913
Furniture and equipment	1,017,646	76,139	-	1,093,785
Vehicles	974,387	96,188	-	1,070,575
Infrastructure	93,605	25,533	-	119,138
Totals	<u>3,665,899</u>	<u>251,512</u>	<u>-</u>	<u>3,917,411</u>
Governmental activities, capital assets, net	<u>\$ 2,650,211</u>	<u>\$1,572,229</u>	<u>\$ 791,072</u>	<u>\$ 3,431,368</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 200,704	\$ -	\$ -	\$ 200,704
Capital assets being depreciated:				
Plant and equipment - water	4,618,572	89,090	-	4,707,662
Plant and equipment - sewer	7,384,383	-	-	7,384,383
Plant and equipment - electric	3,221,167	98,322	-	3,319,489
Plant and equipment - sanitation	367,547	-	-	367,547
Totals	<u>15,792,373</u>	<u>187,412</u>	<u>-</u>	<u>15,979,785</u>
Less accumulated depreciation:				
Plant and equipment - water	1,745,014	121,289	-	1,866,303
Plant and equipment - sewer	3,442,471	137,569	-	3,580,040
Plant and equipment - electric	2,117,811	65,711	-	2,183,522
Plant and equipment - sanitation	345,746	13,223	-	358,969
Total accumulated depreciation	<u>7,651,042</u>	<u>337,792</u>	<u>-</u>	<u>7,988,834</u>
Business-type activities, capital assets, net	<u>\$ 8,141,331</u>	<u>\$ (150,380)</u>	<u>\$ -</u>	<u>\$ 7,990,951</u>

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Depreciation expense was charged to governmental activities as follows:

General government	\$ 47,786
Public safety	96,806
Public works	93,516
Culture and recreation	13,404
Total depreciation	<u>\$ 251,512</u>

Depreciation expense was charged to business-type activities as follows:

Water	\$ 121,289
Sewer	137,569
Electric	65,711
Sanitation	13,223
Total depreciation	<u>\$ 337,792</u>

(9) Restricted Assets

Assets were restricted for the following purposes at May 31, 2023:

Governmental activities:	
Drug seizure funds	\$ 4,427
Restricted for sales tax dedications	128,501
Total governmental activities	<u>\$ 132,928</u>
Public utilities:	
Customer deposits	\$ 72,329
Construction Fund	5,934
Debt service -	
2017 Bond reserve and sinking funds	117,153
Emergency cash reserve	115,610
Total public utilities	<u>\$ 311,026</u>
Total restricted assets	<u>\$ 443,954</u>

(10) Accounts, Salaries, and Other Payables

The accounts, salaries, and other payables consisted of the following at May 31, 2023:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts	\$ 260,930	\$ 153,758	\$ 414,688
Accrued payroll and related liabilities	42,171	19,902	62,073
Totals	<u>\$ 303,101</u>	<u>\$ 173,660</u>	<u>\$ 476,761</u>

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

(11) Changes in Long-Term Debt

The following is a summary of the changes for the year ended May 31, 2023:

	<u>06/01/22</u>	<u>Additions</u>	<u>Reductions</u>	<u>05/31/23</u>	<u>Current Portion</u>
Governmental activities:					
Compensated absences	\$ -	\$ 27,098	\$ 2,751	\$ 24,347	\$ -
Notes payable	<u>190,950</u>	<u>-</u>	<u>47,626</u>	<u>143,324</u>	<u>142,071</u>
Totals	<u>\$ 190,950</u>	<u>\$ 27,098</u>	<u>\$ 50,377</u>	<u>\$ 167,671</u>	<u>\$ 142,071</u>
Business-type activities:					
Compensated absences	\$ 13,168	\$ 11,670	\$ 17,511	\$ 7,327	\$ -
Certificates	108,000	-	108,000	-	-
Revenue bonds	<u>626,904</u>	<u>11,187</u>	<u>35,000</u>	<u>603,091</u>	<u>36,000</u>
Totals	<u>\$ 748,072</u>	<u>\$ 22,857</u>	<u>\$ 160,511</u>	<u>\$ 610,418</u>	<u>\$ 36,000</u>

Long-term debt at May 31, 2023 is comprised of the following:

		<u>Current Portion</u>
Direct placement bonds payable -		
Business-type activities:		
\$759,904 Taxable Utilities Revenue Bonds, Series 2017, due in annual installments of \$34,000 to \$48,904 through April 1, 2037, interest rate of 1.95%, payable from utilities system revenues	<u>\$ 603,091</u>	<u>\$ 36,000</u>
Total bonds payable	<u>\$ 603,091</u>	<u>\$ 36,000</u>
Notes payable -		
Governmental activities:		
\$68,144 equipment lease dated September 13, 2019, due in 60 monthly installments of \$1,260, including interest at 4.15 percent, through September 19, 2024, secured by equipment.	\$ 15,983	\$ 14,730
\$165,000 equipment lease dated March 9, 2022, due in 24 monthly installments of \$2,978 with a balloon payment of \$100,000, including interest at 2.34 percent, through April 7, 2024, secured by equipment.	<u>127,341</u>	<u>127,341</u>
Total capital leases	<u>\$ 143,324</u>	<u>\$ 142,071</u>

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

The annual requirements to amortize debt outstanding at May 31, 2023 are as follows:

May 31,	Governmental Activities		Business-Type Activities	
	Notes payable		Bonds	
	Principal	Interest	Principal	Interest
2024	\$142,071	\$ 2,822	\$ 36,000	\$ 11,542
2025	1,253	5	37,000	10,840
2026	-	-	38,000	10,119
2027	-	-	39,000	9,378
2028	-	-	40,000	8,617
2029-2033	-	-	168,000	31,132
2034-2037	-	-	245,091	9,313
Totals	<u>\$143,324</u>	<u>\$ 2,827</u>	<u>\$ 603,091</u>	<u>\$ 90,941</u>

(12) Flow of Funds; Restrictions on Use – Utility Revenues

Under the terms of the bond ordinances on outstanding 2017 Limited Tax Certificates, the Town must ensure that the Utility Fund has sufficient excess annual revenues available to pay such debt service when due. As a result, the Town is required to maintain a sinking fund account within the Utility Fund for required monthly deposits and debt service payments. Each month, there will be set aside into the accounts an amount constituting 1/12th of the next maturing installment of principal and 1/6th of the interest due on the next interest payment date. Such transfers shall be fully sufficient to assure the prompt payment of the principal and interest installments as they become due and may be used only for such payments. The 2017 Limited Tax Certificates were fully paid during the year ended May 31, 2023.

Under the terms of the bond ordinance on outstanding Taxable Utilities Revenue Bonds, Series 2017, as long as any bonds are outstanding, the Town covenants to deposit revenues into a “Utilities System Revenue Fund” sufficient to pay all reasonable and necessary expenses of operating and maintain the system (combined water, sewer, and electric utilities). The Town is required to maintain a separate account that is designated as the “Utilities Revenue Bond and Interest Sinking Fund”. Each month, there will be set aside into the fund an amount constituting a pro-rata amount of the interest due on the next interest payment date and the pro-rata amount of the principal due on the next principal payment date. The Town is also required to maintain a “Utilities Revenue Bond Reserve Fund” for monthly deposits equal to 25% of the amount to be paid into the Sinking Fund until such time as there has been accumulated an amount equal to the reserve fund requirement (\$25,431 at May 31, 2023). Additionally, the Town is required to make monthly deposits of 5% of the preceding month’s net revenues into a “Utilities Depreciation and Contingencies Fund” to fund extensions, additions, improvements, renewals and replacements necessary to operate the system. The deposits into the Contingencies Fund may cease once the sum of \$100,000 has been accumulated.

Pursuant to the bond ordinance, the Town covenants to fix, establish, maintain, and collect revenues sufficient to pay the reasonable and necessary expenses of operating the utilities system, the principal and interest maturing on the bonds, all reserves and sinking fund payments, and to provide excess annual revenues in each fiscal year in an amount equal to at least 125% of the highest combined annual principal and interest requirements on the bonds issued. The Town was in compliance with all significant limitations and restrictions in the various bond indentures and ordinances as of May 31, 2023.

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

(13) Pension Plans

The Town participates in two cost-sharing defined benefit plans, each administered by separate public employee retirement systems. Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of all plans administered by these public employee retirement systems to the State Legislature. These plans are not closed to new entrants. Substantially all Town employees participate in one of the following retirement systems:

Plan Descriptions:

Municipal Employees' Retirement Systems (MERS) provides retirement, disability, and survivor benefits to eligible employees and their beneficiaries as defined in LRS 11:1731 and 11:1781. The Town participates in Plan B.

State of Louisiana - Municipal Police Employees' Retirement System (MPERS) provides retirement, disability, and survivor benefits to eligible employees and their beneficiaries as defined in LRS 11:2211 and 11:2220.

The systems' financial statements are prepared using the accrual basis of accounting. Employer and employee contributions are recognized in the period in which the employee is compensated for services performed. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Interest income is recognized when earned.

A brief summary of eligibility and benefits of the plans are provided in the following table:

	<u>MERS</u>	<u>MPERS</u>
Final average salary	Highest 60 months	Highest 36 months or 60 months ²
Years of service required and/or age eligible for benefits	30 years of any age 10 years age 60	25 years of any age 20 years age 50 12 years age 55 20 years any age ¹ 30 years any age ³ 25 years age 55 ³ 10 years age 60 ³
Benefit percent per years of service	3.00%	2.50 - 3.33% ⁴

¹ With actuarial reduced benefits

² Membership commencing January 1, 2013

³ Under non hazardous duty sub plan commencing January 1, 2013

⁴ Membership commencing January 1, 2013 non hazardous duty plan 2.5%, hazardous duty plan 3.0%, membership prior to January 1, 2013 3.33%.

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Contributions

Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems' Actuarial Committee. Contributions of employees, employers, and non-employer contributing entities effective for the year ended May 31, 2023 for the defined benefit pension plans in which the Town is a participating employer were as follows:

<u>Plan</u>	<u>Active Member Contribution Percentage</u>	<u>Employer Contribution Percentage</u>	<u>Nonemployer Contributing Entities</u>	<u>Government Contributions</u>
MERS	5.00%	15.50%	\$ 23,734	\$ 105,718
MPERS	10.00%	31.25%	15,041	47,920
Total			<u>\$ 38,775</u>	<u>\$ 153,638</u>

Net Pension Liability

The Town's net pension liability at May 31, 2023 is comprised of its proportionate share of the net pension liability relating to each of the cost-sharing plans in which the Town is a participating employer. The Town's net pension liability for each plan was measured as of the plan's measurement date (June 30, 2022 for both plans) and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Town's proportionate share of the net pension liability for each of the plans in which it participates was based on the Town's required contributions in proportion to total required contributions for all employers. As of the most recent measurement date, the Town's proportion for each plan and the change in proportion from the prior measurement date were as follows:

<u>Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Proportionate Share (%) of Net Pension Liability</u>	<u>Increase/(Decrease) from Prior Measurement Date</u>
MERS	\$ 717,087	0.816743%	0.038899%
MPERS	691,176	0.067618%	0.008714%
Total	<u>\$ 1,408,263</u>		

Since the measurement date of the net pension liability was June 30, 2022, the net pension liability is based upon fiduciary net position for each of the plans as of those dates. Detailed information about each pension plan's assets, deferred outflows, deferred inflows, and fiduciary net position that was used in the measurement of the Town's net pension liability is available in the separately issued plan financial reports for those fiscal years. The financial report for each plan may be accessed on their website as follows: MERS – <http://www.mersla.com> ; MPERS – <http://lampers.org/> .

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Actuarial Assumptions

The following table provides information concerning actuarial assumptions used in the determination of the total pension liability for each of the defined benefit plans in which the primary government is a participating employer:

	MERS	MPERS
Date of experience study	7/1/2013-6/30/2018	7/1/2014-6/30/2019
Actuarial cost method	Entry Age Normal	Entry Age Normal
Investment rate of return	6.85, net of investment expense	6.75%, net of investment expense
Expected remaining service lives	3	4
Inflation rate	2.5%	2.5%
Projected salary increases	4.9% - 7.4%	4.7% - 12.3%
Projected benefit changes including COLAs	None	None
Source of mortality assumptions	(1), (2), (3)	(4), (5), (6)

- (1) PubG-2010(B) Healthy Retiree Table set equal to 120% for males and females, each adjusted using MP2018 scales
- (2) PubG-2010(B) Employee Table set equal to 120% for males and females, each adjusted using MP2018 scales
- (3) PubNS-2010(B) Disabled Retiree Table set equal to 120% for males and females with full generational MP2018 scale
- (4) Pub-2010 Safety Below-Median Healthy Retiree Table multiplied by 115% for males and 125% for females, each with full generational projection using the MP 2019 scale.
- (5) Pub-2010 Safety Below-Median Employee Table multiplied by 115% for males and 125% for females, each with full generational projection using the MP 2019 scale.
- (6) Pub-2010 Safety Disable Retiree Table multiplied by 105% for males and 115% for females, each with full generational projection using the MP 2019 scale.

Cost of Living Adjustments

The pension plans in which the Town participates have the authority to grant cost-of-living adjustments (COLAs) on an ad hoc basis. Pursuant to LRS 11:242(B), the power of the Board of Trustees of the statewide systems (MERS and MPERS) to grant a COLA is effective in calendar years that the legislature fails to grant a COLA, unless in the legislation granting a COLA, the legislature authorizes the Board of Trustees to provide an additional COLA. The authority to grant a COLA by the Board is subject to the funded status and interest earnings. The effects of the benefit changes made as a result of the COLAs is included in the measurement of the total pension liability as of the measurement date at which the ad hoc COLA was granted and the amount is known and reasonably estimable.

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Discount Rate

The discount rate used to measure the total pension liability for MERS was 6.85%, which was no change from the prior year. The discount rate used to measure the total pension liability for MPERS was 6.75%, which was no change from the prior year. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, each of the pension plan's fiduciary net positions was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Rate of Return

For MERS and MPERS, the long-term expected rate of return for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The target allocation and best estimates of arithmetic/geometric real rates of return for each major asset class are summarized for each plan in the following tables:

Asset Class	MERS		MPERS	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Public equity	53.00%	2.31%	55.50%	3.60%
Public fixed income	38.00%	1.65%	30.50%	0.85%
Alternative Investments	9.00%	0.39%	14.00%	0.95%
Totals	<u>100.00%</u>	<u>4.35%</u>	<u>100.00%</u>	<u>5.40%</u>
Inflation		<u>2.60%</u>		<u>2.66%</u>
Expected arithmetic nominal return		<u>6.95%</u>		<u>8.06%</u>

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

Changes in the net pension liability may either be reported in pension expense in the year the change occurred or recognized as a deferred outflow of resources or a deferred inflow of resources in the year the change occurred and amortized into pension expense over a number of years. For the year ended May 31, 2023, the Town recognized \$108,832 and \$142,944 in pension expense related to MERS and MPERS, respectively.

At May 31, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	MERS	MPERS	Total
Difference between expected and actual experience	\$ -	\$ 3,409	\$ 3,409
Changes of assumptions	7,668	23,842	31,510
Change in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	165,168	242,678	407,846
Contributions subsequent to the measurement date	97,258	64,196	161,454
Total	<u>\$ 270,094</u>	<u>\$ 334,125</u>	<u>\$ 604,219</u>

	Deferred Inflows of Resources		
	MERS	MPERS	Total
Difference between expected and actual experience	\$ 9,125	\$ 5,633	\$ 14,758
Changes of assumptions	-	5,141	5,141
Change in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	7,663	58,588	66,251
Total	<u>\$ 16,788</u>	<u>\$ 69,362</u>	<u>\$ 86,150</u>

Deferred outflows of resources of \$161,454 resulting from the employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability during the subsequent year. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions to be recognized in pension expense are as follows:

Year Ended	MERS	MPERS	Total
<u>May 31,</u>			
2024	\$ 40,279	\$ 40,991	\$ 81,270
2025	42,403	47,209	89,612
2026	14,217	47,642	61,859
2027	59,149	64,725	123,874
	<u>\$ 156,048</u>	<u>\$ 200,567</u>	<u>\$ 356,615</u>

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Sensitivity of the Government’s Proportional Share of the Net Pension Liabilities to Changes in the Discount Rate:

The following presents the Government’s proportionate shares of the net pension liabilities of the plans, calculated using their respective discount rates, as well as what the Government’s proportionate shares of the net pension liabilities would be if they were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Plan	Current Discount Rate	Net Pension Liability		
		1% Decrease	Current Discount Rate	1% Increase
MERS	6.85%	\$ 977,526	\$ 717,087	\$ 496,817
MPERS	6.75%	967,514	691,176	460,342
Total		<u>\$1,945,040</u>	<u>\$ 1,408,263</u>	<u>\$ 957,159</u>

Payables to the Pension Plans

At May 31, 2023, the Town’s payables were \$10,349 and \$4,538 to MERS and MPERS, respectively, for the month of May 2023, which were the contractually required contributions.

(14) Unearned Revenue

Unearned revenue of \$ 1,194,486 at May 31, 2022 consists of federal awards received under the American Rescue Plan Act (ARPA). The ARPA established the Coronavirus State and Local Fiscal Recovery Funds on March 11, 2022, to provide governments with the resources needed to respond to the pandemic and its economic effects and to build a stronger, more equitable economy during the recovery. The Town is required to spend these funds in accordance with the assistance listing 21.027 guidance. These funds must be obligated by December 31, 2024 and expended by December 31, 2026.

As of May 31, 2023, the Town has not expended any portion of the \$1,194,486 received from the ARPA. Therefore, the ARPA expenditures will be reported in the financial statements when incurred, and are not included in the Schedule of Expenditures of Federal Awards at May 31, 2023.

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

(15) Interfund Transactions

A. Receivables and Payables

Interfund receivables and payables consisted of the following at May 31, 2023:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
Governmental Funds:		
General Fund	\$ -	\$ 34,475
Sales Tax Fund	37,442	-
Enterprise Fund:		
Utility Fund	-	3,055
Nonmajor Funds	88	-
Total	<u>\$ 37,530</u>	<u>\$ 37,530</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances are expected to be paid within the next fiscal year.

B. Interfund transfers

Interfund transfers consisted of the following at May 31, 2023:

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
Governmental Funds:		
General Fund	\$ 190,000	\$ 80,000
Proprietary Funds:		
Electric Utility Fund	80,000	190,000
Total	<u>\$ 270,000</u>	<u>\$ 270,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund and (3) use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

(16) Landfill Joint Venture

The Town is a participant in a joint venture referred to as the Jefferson Davis Parish Sanitary Landfill Commission. This entity was chartered on February 17, 1984. The Commission's purpose is the establishment of a long-term plant for the disposal of solid wastes in Jefferson Davis Parish. According to the charter, each participant in the Commission is responsible for a pro rata share of any operating deficits. Likewise, any distributions of surpluses are also shared on a pro rata basis. Each participant's pro rata share is based on the number of households within each participant's unit to the total number of households within all participating units. These proportions were determined using the 1980 U. S. Census as follows:

<u>Locality</u>	<u>Number of Households</u>	<u>Percentages</u>
Jennings	4,161	0.421196
Welsh	1,167	0.118129
Lake Arthur	1,212	0.122684
Parish (excluding Jennings, Welsh, Lake Arthur and Elton)	3,339	0.337991
Total	9,879	1.000000

The Commission consists of six commissioners as follows: two residents of Jennings, one resident of Welsh, one resident of Lake Arthur, and two residents of Jefferson Davis Parish living outside the city limits of Jennings, Welsh, Lake Arthur and Elton. The Commission members are to be appointed by the governing body of their place of residence.

The Commission has the power and authority to employ personnel, adopt its own budget and enter into agreements necessary for the operation of the landfill. In certain instances, some agreements must be consented to by all six members of the Commission.

Condensed financial information for the Jefferson Davis Parish Sanitary Landfill as of December 31, 2022 (the latest available audited financial statements) was as follows:

	<u>Total</u>	<u>Welsh (11.8129%)</u>
Total assets and deferred outflows of resources	\$ 6,262,977	\$ 739,839
Total liabilities and deferred inflows of resources	142,208	16,799
Total net position	6,120,769	723,040
Total liabilities, deferred inflows of resources, and net position	6,262,977	739,839
Total revenue	4,269,182	504,314
Total expenditures	4,083,392	482,367
Net decrease in net position	185,790	21,947

As of December 31, 2022, the Commission had no long-term debt outstanding.

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

The Landfill Commission as owner of a sanitary landfill is subject to recent Environmental Protection Agency (EPA) regulations that require monitoring the landfill site for 30 years following closure of the site in addition to other closure requirements. These regulations also mandate that landfill owners provide financial assurances that they will have the resources available to satisfy the post closure standards. These guarantees can be third-party trusts, surety bonds, letters of credit, insurance, or state sponsored plans. According to the Commission's contract with the site operator, the contractor shall be responsible for closure in accordance with the permit. Additionally, the contractor's post-closure care, maintenance and monitoring responsibility shall be three (3) years, or as required by law. In the event the operator is for whatever reason unwilling or unable to fulfill this requirement, the responsibility for closure and post closure monitoring will revert back to the Commission.

Additionally, because of the industry the Commission participates in, certain potential liabilities are always present. These include, but are not limited to, environmental cleanup costs and EPA penalties for violation of its regulations. The EPA is empowered by law (through the Superfund legislation) to seek recovery from anyone who ever owned or operated a particular contaminated site, or anyone who ever generated or transported hazardous materials to a site (these parties are commonly referred to as potentially responsible parties, or PRPs). Potentially, the liability can extend to subsequent owners of to the parent company of a PRP.

While there are no asserted or unasserted potential costs or penalties at the date of this report that the Commission is aware of, the potential is present.

(17) Risk Management

The Town is exposed to risks of loss in the areas of general and auto liability, property hazards, health care, and workers' compensation. Those risks are handled by purchasing commercial insurance. There have been no significant reductions in insurance coverage during the current fiscal year, nor have settlements exceeded coverage in the past three years.

(18) Contingencies

The Town participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representative. The Town's management believes that any liability for reimbursement which may arise as a result of these audits would not be material.

The Town has had various claims and lawsuits lodged against it. All are within the normal course of business and have been evaluated by the Town's attorney and management. It is the opinion of legal counsel that these claims are adequately covered by insurance.

(19) On-Behalf Payment of Salaries

During the year ended May 31, 2023, the Town recognized \$87,147 as a revenue and expenditure for on-behalf salary payments received from the State of Louisiana.

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

(20) Compensation of Town Alderman

The compensation paid to the alderman for the year ended May 31, 2023 follows:

Clint Hardy	\$ 3,600
Ronald Hayes	3,600
Andrea King	3,600
Lawrence Mier	3,600
Jackie Balmer	<u>3,600</u>
Total	<u>\$ 18,000</u>

(21) Act 706 – Schedule of Compensation, Reimbursements, Benefits, and Other Payments to Agency Head

The schedule of compensation, benefits, and other payments to the Mayor for the year ended May 31, 2023 follows:

	<u>Karl Arceneaux</u>
Salary	\$ 18,000
Benefits - payroll taxes	1,487
Conference travel	<u>694</u>
Total	<u>\$ 20,181</u>

(22) New Accounting Pronouncement

In June of 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, Leases. The objective of this statement is to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Town adopted this standard in the year ended May 31, 2023. The implementation of this standard had no material effect on the Town's financial statements for the year ended May 31, 2023.

**REQUIRED
SUPPLEMENTARY INFORMATION**

TOWN OF WELSH, LOUISIANA
General Fund

Budgetary Comparison Schedule
For the Year Ended May 31, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 751,300	\$ 761,291	\$ 754,106	\$ (7,185)
Licenses and permits	130,900	157,561	205,983	48,422
Intergovernmental	100,000	166,152	227,923	61,771
Charges for services	-	55,000	58,326	3,326
Fines and forfeitures	358,150	613,040	659,078	46,038
Jeff Davis Sanitary Landfill	375,000	397,961	395,555	(2,406)
Miscellaneous	166,020	118,068	193,116	75,048
Total revenues	1,881,370	2,269,073	2,494,087	225,014
Expenditures:				
Current -				
General government	522,086	511,516	500,162	11,354
Public safety	1,468,305	1,534,692	1,515,874	18,818
Culture and recreation	92,640	138,399	140,675	(2,276)
Capital outlay	220,700	266,766	241,267	25,499
Debt service	21,615	-	-	-
Total expenditures	2,325,346	2,451,373	2,397,978	53,395
Excess (deficiency) of revenues over expenditures	(443,976)	(182,300)	96,109	278,409
Other financing sources / (uses):				
Transfers in	-	323,376	190,000	(133,376)
Transfers out	-	-	(80,000)	(80,000)
Other financing sources/(uses)	-	323,376	110,000	(213,376)
Net change in fund balance	(443,976)	141,076	206,109	65,033
Fund balance, beginning	2,087,174	2,087,174	2,087,174	-
Fund balance, ending	\$ 1,643,198	\$ 2,228,250	\$ 2,293,283	\$ 65,033

See notes to required supplementary information.

TOWN OF WELSH, LOUISIANA
1996 Sales Tax Fund

Budgetary Comparison Schedule
For the Year Ended May 31, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes -sales	\$ 605,000	\$ 581,176	\$ 584,529	\$ 3,353
Intergovernmental	-	400,000	408,262	8,262
Miscellaneous	2,300	8,360	9,180	820
Total revenues	607,300	989,536	1,001,971	12,435
Expenditures:				
Current -				
General government				
Collection fees	11,500	12,543	12,172	371
Legal and professional fees	-	9,000	9,350	(350)
Travel and conferences	-	-	260	(260)
Office supplies	-	-	25	(25)
Total general government	11,500	21,543	21,807	(264)
Public works				
Salaries	198,000	86,627	85,711	916
Payroll taxes	15,530	6,627	6,675	(48)
Retirement	20,970	11,395	11,755	(360)
Group insurance	45,909	26,185	25,250	935
Insurance	41,320	36,381	29,778	6,603
Utilities and telephone	30,372	28,341	28,500	(159)
Repairs and maintenance	86,000	81,736	76,344	5,392
Supplies	27,000	36,707	36,786	(79)
Legal and professional fees	50,500	21,347	17,663	3,684
Rent	500	420	-	420
Uniforms	7,000	5,599	4,975	624
Total public works	523,101	341,365	323,437	17,928
Capital outlay	71,120	688,000	791,401	(103,401)
Debt service	-	50,848	52,108	(1,260)
Total expenditures	605,721	1,101,756	1,188,753	(86,997)
Excess (deficiency) of revenues over expenditures	1,579	(112,220)	(186,782)	(74,562)
Fund balance, beginning	829,641	829,641	829,641	-
Fund balance, ending	\$ 831,220	\$ 717,421	\$ 642,859	\$ (74,562)

See notes to required supplementary information.

TOWN OF WELSH, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
For the Year Ended May 31, 2023*

<u>Plan Year</u>	<u>Employer Proportion of the Net Pension Liability (Asset)</u>	<u>Employer Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
Municipal Employees Retirement System					
2022	0.816743%	\$ 717,087	\$ 656,629	109.2%	69.56%
2021	0.748927%	433,860	575,566	75.4%	79.14%
2020	0.777844%	704,903	600,462	117.4%	66.26%
2019	0.820864%	718,103	627,516	114.4%	66.14%
2018	0.834175%	705,572	618,071	114.2%	65.60%
2017	0.864012%	747,572	692,241	108.0%	63.49%
2016	0.940167%	779,312	750,742	103.8%	63.34%
2015	0.826355%	561,630	615,096	91.3%	68.71%
2014	0.759760%	365,705	602,801	60.7%	76.94%
Municipal Police Employees Retirement System					
2022	0.067618%	\$ 691,176	\$ 198,728	347.8%	70.80%
2021	0.046540%	248,084	199,893	124.1%	84.09%
2020	0.067618%	544,410	181,938	299.2%	70.94%
2019	0.061817%	561,402	187,266	299.8%	71.01%
2018	0.053079%	448,733	156,644	286.5%	71.89%
2017	0.050872%	444,134	151,502	293.2%	70.08%
2016	0.089202%	836,074	244,759	341.6%	66.04%
2015	0.876220%	597,104	210,559	283.6%	70.73%
2014	0.074672%	467,154	185,254	252.2%	75.10%

* The amounts presented have a measurement date of the previous fiscal year end.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to required supplementary information.

TOWN OF WELSH, LOUISIANA

Schedule of Employer Pension Contributions
For the Year Ended May 31, 2023

<u>Year Ended May 31,</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractual Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
Municipal Employees Retirement System					
2023	\$ 105,718	\$ 105,718	\$ -	\$ 682,053	15.50%
2022	89,213	89,213	-	575,566	15.50%
2021	88,586	88,586	-	571,525	15.50%
2020	84,740	84,740	-	605,141	14.00%
2019	88,034	88,034	-	631,351	13.94%
2018	80,585	80,585	-	616,041	13.08%
2017	78,887	78,887	-	727,391	10.85%
2016	68,091	68,091	-	720,616	9.45%
2015	57,361	57,361	-	606,928	9.45%
Municipal Police Employees Retirement System					
2023	\$ 70,445	\$ 70,445	\$ -	\$ 226,328	31.13%
2022	47,920	47,920	-	141,986	33.75%
2021	48,050	48,050	-	142,811	33.65%
2020	62,013	62,013	-	190,937	32.48%
2019	58,691	58,691	-	182,545	32.15%
2018	47,558	47,558	-	154,344	30.81%
2017	52,481	52,481	-	167,090	31.41%
2016	70,345	70,345	-	237,535	29.61%
2015	65,124	65,124	-	206,975	31.46%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to required supplementary information.

TOWN OF WELSH

Notes to the Required Supplementary Information For the Year Ended May 31, 2023

(1) Budget and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- a) The Mayor submits, no later than 15 days prior to the beginning of each fiscal year, to the Town Alderman a proposed operating budget.
- b) A summary of the proposed budget is published, and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
- c) A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
- d) 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 a resolution prior to the commencement of the fiscal year for which the budget is being adopted.
- e) Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Mayor.
- f) All budgetary appropriations lapse at the end of each fiscal year.
- g) Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as finally amended by the Town Alderman.

(2) Pension Plans

Changes of Assumptions – Changes of assumptions about future economic or demographic factors or of other inputs were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plans. These assumptions include the rate of investment return, mortality of plan members, rate of salary increase, rates of retirement, rates of termination, rates of disability, and various other factors that have an impact on the cost of the plans.

TOWN OF WELSH

Notes to the Required Supplementary Information
For the Year Ended May 31, 2023 (Continued)

(3) Excess Expenditures Over Appropriations

For the year ended May 31, 2023, the General Fund and Sales Tax Fund had actual expenditures over appropriations as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund:			
Culture and recreation	138399	140675	(2,276)
1996 Sales Tax Special Revenue Fund:			
General government	21,543	21,807	(264)
Capital outlay	688,000	791,401	(103,401)
Debt service	50,848	52,108	(1,260)

OTHER SUPPLEMENTARY INFORMATION

TOWN OF WELSH, LOUISIANA
Statement of Net Position
May 31, 2023
With Comparative Totals as of May 31, 2022

	2023			2022
	Governmental Activities	Business-Type Activities	Total	Totals
ASSETS				
Current assets:				
Cash and interest-bearing deposits	\$ 1,232,460	\$ 854,117	\$ 2,086,577	\$ 1,739,985
Investments	2,405,926	768,255	3,174,181	1,612,858
Receivables, net	145,061	348,794	493,855	428,467
Internal balances	3,055	-	3,055	-
Due from other governmental units	515,738	221,103	736,841	1,263,821
Inventories	-	171,476	171,476	127,486
Total current assets	<u>4,302,240</u>	<u>2,360,690</u>	<u>6,662,930</u>	<u>5,172,617</u>
Noncurrent assets:				
Restricted assets -				
Cash and interest-bearing deposits	4,427	195,416	199,843	170,423
Investments	128,501	115,610	244,111	360,756
Capital assets -				
Land and construction in progress	179,732	200,704	380,436	289,808
Capital assets, net	<u>3,251,636</u>	<u>7,790,247</u>	<u>11,041,883</u>	<u>10,501,734</u>
Total noncurrent assets	<u>3,564,296</u>	<u>8,301,977</u>	<u>11,866,273</u>	<u>11,322,721</u>
Total assets	<u>7,866,536</u>	<u>10,662,667</u>	<u>18,529,203</u>	<u>16,495,338</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	<u>398,948</u>	<u>205,271</u>	<u>604,219</u>	<u>211,969</u>
LIABILITIES				
Current liabilities:				
Accounts, salaries, and other payables	303,101	173,660	476,761	425,449
Customer deposits	-	72,329	72,329	75,029
Unearned revenue	1,194,486	-	1,194,486	596,757
Notes payable	142,071	-	142,071	46,425
Bonds and certificates payable	-	36,000	36,000	61,000
Accrued interest	-	1,924	1,924	2,037
Total current liabilities	<u>1,639,658</u>	<u>283,913</u>	<u>1,923,571</u>	<u>1,206,697</u>
Noncurrent liabilities:				
Compensated absences	24,347	7,327	31,674	13,618
Notes payable	1,253	-	1,253	144,525
Bonds and certificates payable	-	567,091	567,091	673,904
Net pension liability	<u>863,277</u>	<u>544,986</u>	<u>1,408,263</u>	<u>681,944</u>
Total noncurrent liabilities	<u>888,877</u>	<u>1,119,404</u>	<u>2,008,281</u>	<u>1,513,991</u>
Total liabilities	<u>2,528,535</u>	<u>1,403,317</u>	<u>3,931,852</u>	<u>2,720,688</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	<u>73,391</u>	<u>12,759</u>	<u>86,150</u>	<u>382,927</u>
NET POSITION				
Net investment in capital assets	3,288,044	7,385,936	10,673,980	9,865,688
Restricted:				
Sales tax dedications	642,859	-	642,859	829,641
Drug law enforcement	4,427	-	4,427	4,425
Debt service	-	85,163	85,163	72,972
Unrestricted	<u>1,728,228</u>	<u>1,980,763</u>	<u>3,708,991</u>	<u>2,830,966</u>
Total net position	<u>\$ 5,663,558</u>	<u>\$ 9,451,862</u>	<u>\$ 15,115,420</u>	<u>\$ 13,603,692</u>

TOWN OF WELSH, LOUISIANA
General Fund

Budgetary Comparison Schedule - Revenues
For the Year Ended May 31, 2023
With Comparative Actual Amounts for the Year Ended May 31, 2022

	2023			Variance with Final Budget Positive (Negative)	2022 Actual
	Budget		Actual		
	Original	Final			
Revenues:					
Taxes -					
Ad valorem	\$ 113,000	\$ 118,728	\$ 118,728	\$ -	\$ 113,162
Payments in lieu of taxes	8,300	7,655	4,436	(3,219)	5,741
Sales	600,000	581,176	584,529	3,353	603,132
Franchise	30,000	53,732	46,413	(7,319)	53,765
Total taxes	<u>751,300</u>	<u>761,291</u>	<u>754,106</u>	<u>(7,185)</u>	<u>775,800</u>
Licenses and permits -					
Occupational licenses	129,300	140,000	175,413	35,413	136,136
Insurance licenses	1,600	17,561	25,035	7,474	13,066
Liquor licenses	-	-	5,535	5,535	4,050
Total licenses and permits	<u>130,900</u>	<u>157,561</u>	<u>205,983</u>	<u>48,422</u>	<u>153,252</u>
Intergovernmental -					
Federal - FEMA					
	-	-	-	-	425,708
State:					
Grants	-	-	-	-	20,000
Supplemental pay	86,000	153,473	203,847	50,374	67,305
State revenue sharing	9,000	7,939	11,112	3,173	8,998
Video Poker	-	-	8,424	8,424	-
Beer tax	5,000	4,740	4,540	(200)	5,051
Total intergovernmental	<u>100,000</u>	<u>166,152</u>	<u>227,923</u>	<u>61,771</u>	<u>527,062</u>
Charges for services -					
Recreation and Tourism	-	55,000	58,326	3,326	59,462
Total charges for services	<u>-</u>	<u>55,000</u>	<u>58,326</u>	<u>3,326</u>	<u>59,462</u>
Fines and forfeits	<u>358,150</u>	<u>613,040</u>	<u>659,078</u>	<u>46,038</u>	<u>291,566</u>
Jeff Davis Sanitary Landfill	<u>375,000</u>	<u>397,961</u>	<u>395,555</u>	<u>(2,406)</u>	<u>331,112</u>
Miscellaneous -					
Interest	2,320	58,256	77,481	19,225	3,759
Other	163,700	59,812	115,635	55,823	135,790
Total miscellaneous	<u>166,020</u>	<u>118,068</u>	<u>193,116</u>	<u>75,048</u>	<u>139,549</u>
Total revenues	<u>\$ 1,881,370</u>	<u>\$ 2,269,073</u>	<u>\$ 2,494,087</u>	<u>\$ 225,014</u>	<u>\$2,277,803</u>

TOWN OF WELSH, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures
For the Year Ended May 31, 2023
With Comparative Actual Amounts for the Year Ended May 31, 2022

	2023				
	Budget		Actual	Variance with Final Budget	2022 Actual
	Original	Final		Positive (Negative)	
Current:					
General government -					
Salaries	\$ 152,340	\$ 128,236	\$ 127,684	\$ 552	\$ 127,942
Payroll taxes	11,570	9,675	9,955	(280)	8,864
Retirement	16,815	13,543	13,781	(238)	12,671
Group insurance	28,809	26,577	27,721	(1,144)	26,902
Contract services	33,400	18,328	17,288	1,040	43,064
Insurance	28,832	43,561	40,878	2,683	28,444
Utilities and telephone	27,900	36,355	33,389	2,966	27,043
Repairs and maintenance	15,950	32,679	34,358	(1,679)	144,353
Supplies	5,700	9,860	9,629	231	25,500
Legal and professional fees	155,000	126,113	126,485	(372)	146,876
Travel and conferences	9,250	2,365	3,243	(878)	7,394
Uniforms	2,100	1,789	1,806	(17)	1,934
Rent	4,390	4,861	4,722	139	4,603
Advertising	3,500	3,245	3,766	(521)	3,411
Office supplies	8,880	6,385	6,541	(156)	8,014
Miscellaneous	17,650	47,944	38,916	9,028	26,899
Total general government	<u>522,086</u>	<u>511,516</u>	<u>500,162</u>	<u>11,354</u>	<u>643,914</u>
Public safety -					
Police:					
Salaries	818,200	784,236	782,591	1,645	704,607
Payroll taxes	62,630	57,765	60,172	(2,407)	51,957
Retirement	80,903	76,172	70,444	5,728	60,046
Group insurance	129,626	121,808	120,950	858	119,502
Insurance	86,990	85,625	83,378	2,247	76,616
Utilities and telephone	28,300	37,508	37,093	415	33,405
Repairs and maintenance	53,500	51,137	45,741	5,396	63,950
Supplies	76,000	113,176	111,590	1,586	87,513
Legal and professional fees	2,700	45,388	45,436	(48)	3,323
Travel and conferences	4,250	7,617	6,475	1,142	8,835
Uniforms	2,600	10,331	9,348	983	3,662
Rent	5,000	3,848	5,023	(1,175)	4,073
Advertising	300	213	160	53	160
Office supplies	2,050	9,721	7,771	1,950	6,554
Prisoner	10,500	5,768	6,413	(645)	13,083
K-9 expenses	1,500	1,679	1,606	73	11,143
Miscellaneous	500	352	264	88	1,218
Total police	<u>1,365,549</u>	<u>1,412,344</u>	<u>1,394,455</u>	<u>17,889</u>	<u>1,249,647</u>

TOWN OF WELSH, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures (Continued)
For the Year Ended May 31, 2023
With Comparative Actual Amounts for the Year Ended May 31, 2022

	2023				
	Budget		Actual	Positive (Negative)	2022 Actual
	Original	Final			
Fire:					
Salaries	16,800	16,800	16,800	-	16,800
Payroll taxes	1,300	1,285	1,285	-	1,162
Insurance	21,651	46,925	45,886	1,039	33,552
Utilities and telephone	3,200	4,145	4,770	(625)	4,069
Repairs and maintenance	20,250	8,567	8,732	(165)	6,372
Supplies	3,600	10,404	11,278	(874)	10,240
Legal and professional fees	28,000	33,955	30,052	3,903	23,221
Travel and conferences	2,800	-	-	-	-
Uniforms	5,000	-	2,317	(2,317)	4,117
Miscellaneous	155	267	299	(32)	324
Total fire	<u>102,756</u>	<u>122,348</u>	<u>121,419</u>	<u>929</u>	<u>99,857</u>
Total public safety	<u>1,468,305</u>	<u>1,534,692</u>	<u>1,515,874</u>	<u>18,818</u>	<u>1,349,504</u>
Culture and recreation -					
Salaries	12,000	13,919	15,352	(1,433)	12,295
Payroll taxes	920	1,036	1,148	(112)	883
Retirement	-	-	-	-	-
Group insurance	-	-	-	-	-
Contract services	33,000	29,248	31,519	(2,271)	23,199
Insurance	10,065	17,548	13,747	3,801	10,276
Utilities and telephone	12,030	11,849	11,043	806	12,037
Repairs and maintenance	5,500	12,752	13,531	(779)	22,575
Supplies	9,700	25,388	25,575	(187)	16,775
Legal and professional fees	500	573	430	143	2,790
Uniforms	5,100	21,319	23,673	(2,354)	6,956
Office supplies	225	87	64	23	8
Miscellaneous	3,600	4,680	4,593	87	4,034
Total culture and recreation	<u>92,640</u>	<u>138,399</u>	<u>140,675</u>	<u>(2,276)</u>	<u>111,828</u>
Capital outlay	<u>220,700</u>	<u>266,766</u>	<u>241,267</u>	<u>25,499</u>	<u>136,131</u>
Debt service:					
Principal retirement	20,000	-	-	-	33,000
Interest	1,615	-	-	-	371
Total debt service	<u>21,615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,371</u>
Total expenditures	<u>\$ 2,325,346</u>	<u>\$ 2,451,373</u>	<u>\$ 2,397,978</u>	<u>\$ 53,395</u>	<u>\$ 2,274,748</u>

TOWN OF WELSH, LOUISIANA

Statement of Net Position
 Proprietary Fund
 Utility Fund
 May 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash and interest-bearing deposits	\$ 854,117	\$ 297,376
Investments	768,255	616,164
Accounts receivable, net	348,794	400,970
Due from other governmental agencies	221,103	221,103
Inventory	<u>171,476</u>	<u>127,486</u>
Total current assets	<u>2,363,745</u>	<u>1,663,099</u>
Noncurrent assets:		
Restricted assets -		
Cash and interest-bearing deposits	195,416	165,998
Investments	115,610	159,088
Capital assets -		
Land and construction in progress	200,704	200,704
Capital assets, net	<u>7,790,247</u>	<u>7,940,627</u>
Total noncurrent assets	<u>8,301,977</u>	<u>8,466,417</u>
Total assets	<u>10,665,722</u>	<u>10,129,516</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	<u>205,271</u>	<u>75,754</u>
LIABILITIES		
Current liabilities:		
Accounts payable	153,758	212,281
Accrued liabilities	19,902	12,479
Due to other funds	3,055	89
Payable from restricted assets -		
Customer deposits	72,329	75,029
Revenue bonds payable	36,000	61,000
Interest payable	<u>1,924</u>	<u>2,037</u>
Total current liabilities	<u>286,968</u>	<u>362,915</u>
Noncurrent liabilities:		
Compensated absences	7,327	13,618
Revenue bonds payable	567,091	673,904
Net pension liability	<u>544,986</u>	<u>295,025</u>
Total noncurrent liabilities	<u>1,119,404</u>	<u>982,547</u>
Total liabilities	<u>1,406,372</u>	<u>1,345,462</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	<u>12,759</u>	<u>109,814</u>
NET POSITION		
Net investment in capital assets	7,385,936	7,406,427
Restricted for debt service	85,163	72,972
Unrestricted (deficit)	<u>1,980,763</u>	<u>1,270,595</u>
Total net position	<u>\$ 9,451,862</u>	<u>\$ 8,749,994</u>

TOWN OF WELSH, LOUISIANA
Enterprise Fund
Utility Fund

Comparative Statements of Revenues, Expenses, and Changes in Fund Net Position
For the Years Ended May 31, 2023 and 2022

	Totals		Electric	
	2023	2022	2023	2022
Operating revenues:				
Charges for services	\$5,131,263	\$4,001,050	\$ 3,984,920	\$ 2,917,512
Sewer dump fees	199,283	255,023	-	-
Miscellaneous	35,094	183,548	35,094	102,327
Total operating revenues	<u>5,365,640</u>	<u>4,439,621</u>	<u>4,020,014</u>	<u>3,019,839</u>
Operating expenses:				
Salaries	549,692	494,654	307,512	245,243
Payroll taxes	41,627	37,340	23,298	18,639
Retirement	79,729	68,512	43,774	32,446
Group insurance	122,895	93,266	60,007	37,178
Contract services	-	171,422	-	171,422
Insurance	109,525	84,790	39,766	27,994
Utilities and telephone	96,006	56,793	4,566	3,623
Repairs and maintenance	280,550	162,673	120,376	28,958
Supplies	163,631	373,584	84,898	254,724
Legal and professional fees	154,751	114,225	53,869	35,344
Travel and conferences	5,963	1,726	5,000	1,656
Uniforms	14,567	10,181	8,580	5,213
Office supplies	12,991	11,187	11,810	9,023
Power purchased	2,498,319	2,130,145	2,498,319	2,130,145
Depreciation	337,792	306,085	65,711	47,276
Chemicals	39,423	45,248	-	-
Bad debt expense	14,287	-	10,289	-
GASB 68 adjustments	41,426	44,541	23,199	20,934
Miscellaneous	20,583	17,715	5,036	3,410
Total operating expenses	<u>4,583,757</u>	<u>4,224,087</u>	<u>3,366,010</u>	<u>3,073,228</u>
Operating income (loss)	<u>781,883</u>	<u>215,534</u>	<u>654,004</u>	<u>(53,389)</u>
Non-operating revenues (expenses):				
Investment income	29,259	1,599	-	-
Interest expense	(17,311)	(16,715)	-	-
Hurricane expenses	-	(110,307)	-	-
FEMA grant revenue	-	110,307	-	-
Non-employer pension contribution	18,037	12,729	-	-
Royalties	-	1,086	-	-
Grant revenue	-	87,104	-	-
Total non-operating revenues (expenses)	<u>29,985</u>	<u>85,803</u>	<u>-</u>	<u>-</u>
Income (loss) before contributions and transfers	<u>811,868</u>	<u>301,337</u>	<u>654,004</u>	<u>(53,389)</u>
Capital contributions	-	630,531	-	-
Transfers:				
Transfers in	80,000	2,468,558	-	-
Transfers out	(190,000)	(589,623)	-	-
Total transfers	<u>(110,000)</u>	<u>1,878,935</u>	<u>-</u>	<u>-</u>
Change in net position	701,868	2,810,803	-	-
Net position, beginning	8,749,994	5,939,191	-	-
Net position, ending	<u>\$9,451,862</u>	<u>\$8,749,994</u>	<u>-</u>	<u>-</u>

Water		Sewer		Sanitation	
2023	2022	2023	2022	2023	2022
\$ 412,563	\$ 392,016	\$ 298,960	\$ 288,209	\$ 434,820	\$ 403,313
-	-	199,283	255,023	-	-
-	80,721	-	500	-	-
<u>412,563</u>	<u>472,737</u>	<u>498,243</u>	<u>543,732</u>	<u>434,820</u>	<u>403,313</u>
116,778	139,805	85,182	74,906	40,220	34,700
8,955	10,338	6,332	5,750	3,042	2,613
17,786	19,825	12,209	11,010	5,960	5,231
29,733	31,005	21,933	15,207	11,222	9,876
-	-	-	-	-	-
26,000	29,540	25,409	11,423	18,350	15,833
34,761	24,022	56,679	29,148	-	-
55,584	51,549	74,362	25,963	30,228	56,203
37,368	94,844	9,837	15,212	31,528	8,804
43,388	30,100	57,181	48,746	313	35
963	40	-	30	-	-
1,738	1,823	2,727	1,798	1,522	1,347
1,181	1,906	-	130	-	128
-	-	-	-	-	-
121,289	69,216	137,569	136,423	13,223	53,170
35,324	39,253	4,099	5,995	-	-
1,773	-	1,033	-	1,192	-
9,113	12,917	6,214	7,126	2,900	3,564
-	1,523	-	-	15,547	12,782
<u>541,734</u>	<u>557,706</u>	<u>500,766</u>	<u>388,867</u>	<u>175,247</u>	<u>204,286</u>
(129,171)	(84,969)	(2,523)	154,865	259,573	199,027

TOWN OF WELSH, LOUISIANA
Justice System Funding Schedule - Collecting/Disbursing Entity
Year Ended May 31, 2023

	First Six Month Period Ended 11/30/2022	Second Six Month Period Ended 5/31/2023
Beginning Balance of Amounts Collected	\$ 3,310	\$ 3,367
Add: Collections -		
Civil Fees	-	-
Bond Fees	30	-
Asset Forfeiture/Sale	-	-
Pre-Trial Diversion Program Fees	-	-
Criminal Court Costs/Fees	107,759	119,512
Criminal Fines - Contempt	-	-
Criminal Fines - Other	271,467	169,917
Restitution	-	-
Probation/Parole/Supervision Fees	-	-
Service/Collection Fees	-	-
Interest Earnings on Collected Balances	-	-
Other	-	-
Subtotal Collections	<u>379,256</u>	<u>289,429</u>
Less: Disbursements to Governments and Nonprofits -		
Indigent Defender Fund - Criminal Fines	10,640	15,492
Louisiana Commission on Law Enforcement - Criminal Fines	2,344	3,383
Louisiana State Treasurer CMIS - Criminal Fines	3,576	4,986
LA Dept of Health & Hospitals THI/SCI - Criminal Fines	4,325	5,660
Louisiana Supreme Court - Criminal Fines	715	953
Less: Amounts Retained by Collecting Agency		
Amounts "Self-Disbursed" to Collecting Agency - Criminal Fines Other	<u>357,599</u>	<u>257,813</u>
Subtotal Disbursements/Retainage	<u>379,199</u>	<u>288,287</u>
Ending Balance of Amounts Collected but not Disbursed/Retained	<u>\$ 3,367</u>	<u>\$ 4,509</u>

**COMPLIANCE,
INTERNAL CONTROL,
AND
OTHER MATTERS**

KOLDER, SLAVEN & COMPANY, LLC

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

The Honorable Karl Arceneaux, Mayor
and Board of Alderman
Town of Welsh, Louisiana

We have audited, in accordance with the 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 Welsh, Louisiana (the Town), as of and for the year ended May 31, 2023, and the related notes to the financial statements, which collectively comprise the Town of Welsh, Louisiana's basic financial statements and have issued our report thereon dated September 6, 2023.

Internal Control over Financial Reporting

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

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 summary schedule of current and prior year audit findings and management's corrective action plan, we identified items 2023-001 and 2023-002 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town’s financial statements are free from 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 financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Welsh, Louisiana’s Response to Findings

The Town’s response to the findings identified in our audit is described in the accompanying summary schedule of current and prior year audit findings and management’s corrective action plan. The 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 results 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. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
September 6, 2023

TOWN OF WELSH

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended May 31, 2023

Part I. Current Year Findings and Management's Corrective Action Plan

A. Internal Control Over Financial Reporting

2023-001 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: Unknown

CRITERIA: The Town should have a control policy according to which no person should be given responsibility for more than one related function.

CONDITION: The Town did not have adequate segregation of functions within the accounting system.

CAUSE: Due to the size of the Town, there are a small number of available employees.

EFFECT: The Town has employees that are performing more than one related function.

RECOMMENDATION: The Town should establish and monitor mitigating controls over functions that are not completely segregated.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Due to the size of the operations and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

2023-002 Inadequate Controls Over Financial Statement Preparation

Fiscal year finding initially occurred: 2022

CRITERIA: The Town does not have a staff person who has the qualifications and training necessary to apply GAAP in recording the Town's financial transactions or preparing its financial statements, including the notes.

CONDITION: The Town should be able to record financial transactions and prepare financial statements in accordance with generally accepted accounting principles (GAAP).

CAUSE: The Town does not have the personnel with the qualifications needed to perform this function.

EFFECT: The Town's financial transactions and financial statements may not be prepared in accordance with GAAP.

RECOMMENDATION: The Town should outsource this task to ensure the financial statements and transactions are in accordance with GAAP.

TOWN OF WELSH

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended May 31, 2023 (Continued)

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Town has evaluated the cost vs benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and determined that it is in the best interest of the Town to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

B. Compliance

There were no compliance findings reported for the year ended May 31, 2023.

Prior Year Findings

A. Internal Control Over Financial Reporting

2022-001 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: Unknown

CONDITION: The Town did not have adequate segregation of functions within the accounting system.

RECOMMENDATION: The Town should establish and monitor mitigating controls over functions that are not completely segregated.

CURRENT STATUS: Unresolved. See finding 2023-001.

2022-002 Inadequate Controls Over Financial Statement Preparation

Fiscal year finding initially occurred: 2022

CONDITION: The Town should be able to record financial transactions and prepare financial statements in accordance with generally accepted accounting principles (GAAP).

RECOMMENDATION: The Town should outsource this task to ensure the financial statements and transactions are in accordance with GAAP.

CURRENT STATUS: Unresolved. See finding 2023-002.

B. Compliance

There were no compliance findings reported for the year ended May 31, 2022.

TOWN OF WELSH

Welsh, Louisiana

Agreed-Upon Procedures Report

Year Ended May 31, 2023

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

The Honorable Karl Arceneaux, Mayor
Members of the Board of Alderman
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period June 1, 2022 through May 31, 2023. The Town of Welsh's (The Town) management is responsible for those C/C areas identified in the SAUPs.

The Town has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period June 1, 2022 through May 31, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. We obtained and inspected the Town's written policies and procedures and observed that they address each of the following categories and subcategories if applicable to public funds and the Town's operations:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving.
 - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- 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) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- h) **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).
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to 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) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in 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.
- l) **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Board or Finance Committee

- 2. We obtained and inspected 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) Observed 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.
 - b) Observed that the minutes referenced or included monthly budget-to-actual comparisons on the General Fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds.
 - c) Obtained 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, observed that the minutes for at least one meeting during the fiscal period reference or include a formal plan to eliminate the negative unassigned fund balance in the General Fund.
 - d) Observed whether the board/finance committee received written updates of the progress of resolving audit findings, according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Bank Reconciliations

3. We obtained a listing of the Town's bank accounts for the fiscal period from management and management's representation that the listing is complete. We asked management to identify the Town's main operating account. We selected the Town's main operating account and randomly selected 4 additional accounts (or all accounts if less than 5). We randomly selected one month from the fiscal period, obtained and inspected the corresponding bank statement and reconciliation for selected accounts, and observed that:
 - a) Bank reconciliations included evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations included 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
 - 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.

Collections (excluding electronic fund transfers)

4. We obtained 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. We randomly selected 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, we obtained a listing of collection locations and management's representation that the listing is complete. We randomly selected one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtained and inspected written policies and procedures relating to employee job duties (if no written policies or procedures, inquired of employees about their job duties) at each collection location, and observed that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - 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.
 - 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.
 - 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.
6. We obtained from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. We observed the bond or insurance policy for theft was enforced during the fiscal period.

7. We randomly selected two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (selected the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly selected 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.* We obtained supporting documentation for each of the 10 deposits and:
 - a) Observed that receipts are sequentially pre-numbered.
 - b) Traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Traced the deposit slip total to the actual deposit per the bank statement.
 - d) Observed 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 and the cash is stored securely in a locked safe or drawer).
 - e) Traced the actual deposit per the bank statement to the general ledger.

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

8. We obtained a listing of locations that process payments for the fiscal period and management's representation that the listing was complete. We randomly selected 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, we obtained a listing of those employees involved with non-payroll purchasing and payment functions. We obtained written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, we inquired of employees about their job duties), and we observed that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
 - e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
10. For each location selected under #8 above, we obtained the Town's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and we obtained management's representation that the population is complete. We randomly selected 5 disbursements for each location, we obtained supporting documentation for each transaction and:
 - a) We observed whether by paper or electronic means, the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - b) We observed that the disbursement documentation includes evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

11. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3 above, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observed that each electronic disbursement was:
 - a) Approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy.
 - b) Approved by the required number of authorized signers per the entity's policy.

Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

12. We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. We obtained management's representation that the listing is complete.
13. Using the listing prepared by management, we randomly selected 5 cards (or all cards if less than 5) that were used during the fiscal period. We randomly selected one monthly statement or combined statement for each card (for a debit card, we randomly selected one monthly bank statement), we obtained supporting documentation, and:
 - a) We observed 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.
 - b) We observed that finance charges and late fees were not assessed on the selected statements.
14. Using the monthly statements or combined statements selected under #13 above, excluding fuel cards, we randomly selected 10 transactions (or all transactions if less than 10) from each statement, and obtained supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, we observed that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, we described the nature of the transaction and noted whether management had compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

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

15. We obtained 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. We randomly selected 5 reimbursements, we obtained the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - a) If reimbursed using a per diem, we observed the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, we observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) We observed that each reimbursement is supported by documentation of the business/public purpose (for meal charges, we observed that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1g).

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

Contracts

- 16. We obtained 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.* We obtained management's representation that the listing is complete. We randomly selected 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - a) We observed that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) We observed that the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g., change order), we observed that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
 - d) We randomly selected one payment from the fiscal period for each of the 5 contracts, we obtained the supporting invoice, agreed the invoice to the contract terms, and observed that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

- 17. We obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. We randomly selected 5 employees/officials, we obtained related paid salaries and personnel files, and we agreed paid salaries to authorized salaries/pay rates in the personnel files.
- 18. We randomly selected one pay period during the fiscal period. For the 5 employees/officials selected under #17 above, we obtained attendance records and leave documentation for the pay period, and:
 - a) We observed that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
 - b) We observed that supervisors approved the attendance and leave of the selected employees or officials.
 - c) We observed that any leave accrued or taken during the pay period is reflected in the Town's cumulative leave records.
 - d) We observed the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
- 19. We obtained a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. We randomly selected two employees or officials, we obtained related documentation of the hours and pay rates used in management's termination payment calculations and the Town's policy on termination payments. We agreed the hours to the employee or officials' cumulate leave records, agreed the pay rates to the employee/officials' authorized pay rates in the employee or officials' personnel files, and agreed the termination payment to entity policy.
- 20. We obtained management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Ethics

21. Using the 5 randomly selected employees/officials from procedure #17 under “Payroll and Personnel” above, we obtained ethics documentation from management, and:
 - a) We observed that the documentation demonstrates each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170.
 - b) We observed whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity’s ethics policy during the fiscal period, as applicable.
22. We inquired and/or observed whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Debt Service

23. We obtained a listing of bonds/notes and other debt instruments issued during the fiscal period and management’s representation that the listing is complete. We selected all debt instruments on the listing, obtained supporting documentation, and observed State Bond Commission approval was obtained for each debt instrument issued as required by Article VII Section 8 of the Louisiana Constitution.
24. We obtained a listing of bonds/notes outstanding at the end of the fiscal period and management’s representation that the listing is complete. We randomly selected one bond/note, inspected debt covenants, obtained supporting documentation for the reserve balance and payments, and agreed actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Fraud Notice

25. We obtained a listing of misappropriations of public funds and assets during the fiscal period and management’s representation that the listing was complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the Town reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the Town is domiciled as required by R.S. 24:523.

The Town represented that there were no misappropriations of public funds and assets during the fiscal year.

26. We observed that the Town has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Information Technology Disaster Recovery/Business Continuity

27. We performed the following procedures, **verbally discussed the results with management, and reported “We performed the procedure and discussed the results with management.”**
 - a) We obtained and inspected the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observed that such backup (a) occurred within the past week, (b) was not stored on the government’s local server or network, and (c) if backups are stored on a physical medium (e.g., tapes, CDs), we observed evidence that backups are encrypted before being transported.
 - b) We obtained and inspected the entity’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible

for testing/verifying backup restoration) and observed evidence that the test/verification was successfully performed within the past 3 months.

- c) We obtained a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. We randomly selected 5 computers and observed while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
28. We randomly selected 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #19 above and:
- a) We observed evidence that the selected terminated employees have been removed or disabled from the network.

Prevention of Sexual Harassment

29. Using the 5 randomly selected employees/officials from procedure #17 under "Payroll and Personnel" above, we obtained sexual harassment training documentation from management, and observed the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
30. We observed the Town has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
31. We obtained the Town's annual sexual harassment report for the current fiscal period, observed that the report was dated on or before February 1, and observed it includes the applicable requirements of R.S. 42:344:
- a) Number and percentage of public servants in the agency who have completed the training requirements;
 - b) Number of sexual harassment complaints received by the agency;
 - c) Number of complaints which resulted in a finding that sexual harassment occurred;
 - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - e) Amount of time it took to resolve each complaint.

Exceptions:

No exceptions were found as a result of applying the procedures listed above except:

Written Policies and Procedures:

1. The Town's policies and procedures do not include sufficient information regarding how budgeting, receipts/collections, payroll, ethics, and information technology disaster recovery/business continuity.

Bank Reconciliations

2. Of the five corresponding bank statements and reconciliations selected, two accounts have outstanding items greater than one year.

Non-Payroll Related Disbursements

3. The Town does not have proper segregation of duties over the disbursement process.

Sexual Harassment

4. The Town does not have the sexual harassment policy and complaint procedures posted on their website.

Management's Response:

Management concurs with the exceptions noted and is working to address the deficiencies identified.

We were engaged by the Town to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent from the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended 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.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
September 6, 2023