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**TOWN OF WELSH, LOUISIANA
ANNUAL FINANCIAL REPORT
MAY 31, 1999**

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Release Date 1-12-2000

TOWN OF WELSH, LOUISIANA

ANNUAL FINANCIAL REPORT
Year Ended May 31, 1999

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TOWN OF WELSH, LOUISIANA

May 31, 1999

MAYOR

The Honorable Mary Sue P. Lyon

BOARD OF ALDERMEN

Roland Landry
Alexander Prudhomme, Jr.
Carson Watkins

Joe Ray Vanicor
Joseph L. "Joe" Van Ness

LEGAL COUNSEL

Richard M. Arceneaux

TOWN CLERK

Linda LeBlanc

McELROY, QUIRK & BURCH

A Professional Corporation • Certified Public Accountants • Since 1925
800 Kirby Street • P.O. Box 3070 • Lake Charles, LA 70602-3070
318 433-1063 • Fax 318 436-6618 • E-mail: info@mqb-cpa.com

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Carl W. Comeaux, CPA
Barbara Hutson Gonzales, CPA
Judson J. McCann Jr., CPA
Martin L. Chehotsky, CPA, CFE
Robert M. Gani, CPA
Tina L. Demarest, CPA, CVA



Mollic C. Broussard, CPA

Charles P. Quirk, CPA
Otray J. Woods Jr., CPA
Robert E. Cargile, CPA
William A. Mancuso, CPA

Charles I. McElroy, CPA (1917-1997)
Patrick J. Reddin, CPA (1926-1995)
Frank D. Burch, CPA (1921-1991)

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
Town of Welsh
Welsh, Louisiana

We have audited the accompanying general purpose financial statements of the Town of Welsh, Louisiana, and the combining, individual fund and account group financial statements of the Town as of May 31, 2000, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Welsh, Louisiana as of May 31, 1999, and the results of its operations and cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the combining, individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the Town of Welsh, Louisiana at May 31, 1999, and the results of operations of such funds and the cash flows of the individual proprietary fund for the year then ended in conformity with generally accepted accounting principles.

The Year 2000 supplementary information on page 68 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and the presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the Town of Welsh is or will become Year 2000 compliant, that the Town's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Town does business are or will become Year 2000 compliant.

The financial information for the preceding year, which is included for comparative purposes, was taken from the financial report for that year in which we expressed a qualified opinion on the general purpose, combining and supplemental information for the year 2000 disclosures for the Town of Welsh, Louisiana.

In accordance with *Governmental Auditing Standards*, we have also issued a report dated November 22, 1999, on our consideration of the Town of Welsh's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Town of Welsh, Louisiana, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Ms. Eloy, Smith & Burch

Lake Charles, Louisiana
November 22, 1999

**COMBINED STATEMENTS - OVERVIEW
("LIFTABLE" GENERAL PURPOSE
FINANCIAL STATEMENTS)**

TOWN OF WELSH, LOUISIANA

COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS
 May 31, 1999
 With Comparative Totals for May 31, 1998

<u>ASSETS AND OTHER DEBITS</u>	<u>Governmental Fund Type</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>
Cash and cash equivalents	\$ 32,014	\$ 67,388	\$ 168,058	\$ 355,000
Investments	350,557	-	-	-
Receivables:				
Taxes	6,363	-	24,861	-
Accounts	21,226	-	-	-
Estimated uncollectibles and allowances	-	-	-	-
Unbilled accounts	-	-	-	-
Due from other funds	192,280	74,051	-	-
Due from other agencies	-	-	-	-
Accrued interest	-	-	-	-
Inventory, at cost	-	-	-	-
Prepaid expenses	-	-	-	-
Restricted assets:				
Cash	-	-	-	-
Investments	-	-	-	-
Property, plant and equipment, net	-	-	-	-
Bond issue cost, net	-	-	-	-
Bond refunding cost, net	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
Total assets	\$ 602,440	\$ 141,439	\$ 192,919	\$ 355,000

Proprietary Fund Type <u>Enterprise</u>	Account Group		Totals	
	General Fixed Assets	General Long-Term Debt	(Memorandum Only)	
			1999	1998
\$ 2,172,393	\$ -	\$ -	\$ 2,794,853	\$ 648,943
-	-	-	350,557	494,624
-	-	-	31,224	36,507
898,057	-	-	919,283	1,024,976
(319,011)	-	-	(319,011)	(310,895)
98,530	-	-	98,530	98,560
116,919	-	-	383,250	347,760
-	-	-	-	109,058
2,284	-	-	2,284	2,599
86,510	-	-	86,510	147,329
6,747	-	-	6,747	23,284
115,922	-	-	115,922	27,839
896,221	-	-	896,221	897,466
6,185,967	2,022,128	-	8,208,095	10,196,720
32,777	-	-	32,777	66,503
-	-	-	-	35,325
-	-	<u>1,448,436</u>	<u>1,448,436</u>	<u>2,389,544</u>
<u>\$ 10,293,316</u>	<u>\$ 2,022,128</u>	<u>\$ 1,448,436</u>	<u>\$ 15,055,678</u>	<u>\$ 16,236,142</u>

(continued on next page)

TOWN OF WELSH, LOUISIANA

COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS

May 31, 1999

With Comparative Totals for May 31, 1998

(Continued)

<u>LIABILITIES</u>	<u>Governmental Fund Type</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>
Bank overdraft	\$ -	\$ 332	\$ -	\$ 20,910
Current portion of long-term debt	-	-	-	-
Accounts payable	26,121	167	-	4,924
Accrued liabilities	5,891	-	-	-
Due to other agencies	-	-	-	-
Due to other funds	31,907	56	15	28,404
Deferred paving assessments	-	-	24,861	-
Long-term debt:				
Revenue bonds payable	-	-	-	-
General obligation bonds	-	-	-	-
Paving certificates	-	-	-	-
Capital leases	-	-	-	-
DEQ interim loan	-	-	-	-
Payable from restricted assets	-	-	-	-
Total liabilities	<u>63,919</u>	<u>555</u>	<u>24,876</u>	<u>54,238</u>
 <u>FUND EQUITY AND OTHER CREDITS</u>				
Contributed capital	-	-	-	-
Investment in general fixed assets	-	-	-	-
Retained earnings:				
Reserved	-	-	-	-
Unreserved:				
Undesignated	-	-	-	-
Fund balance:				
Reserved	-	-	-	300,762
Unreserved:				
Designated	-	-	44,425	-
Undesignated	<u>538,521</u>	<u>140,884</u>	<u>123,618</u>	<u>-</u>
Total retained earnings/ fund balance	<u>538,521</u>	<u>140,884</u>	<u>168,043</u>	<u>300,762</u>
Total fund equity	<u>538,521</u>	<u>140,884</u>	<u>168,043</u>	<u>300,762</u>
Total liabilities and fund equity	<u>\$ 602,440</u>	<u>\$ 141,439</u>	<u>\$ 192,919</u>	<u>\$ 355,000</u>

See accompanying notes to financial statements

Proprietary Fund Type Enterprise	Account Group		Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Debt	1999	1998
\$ -	\$ -	\$ -	\$ 21,242	\$ 21,466
105,048	-	-	105,048	140,916
420,775	-	-	451,987	568,731
83,817	-	-	89,708	88,455
26,183	-	-	26,183	-
322,868	-	-	383,250	347,760
-	-	-	24,861	33,629
2,801,992	-	-	2,801,992	3,298,505
-	-	1,290,000	1,290,000	1,365,000
-	-	51,200	51,200	57,600
-	-	107,236	107,236	-
-	-	-	-	966,944
39,320	-	-	39,320	40,370
<u>3,801,003</u>	<u>-</u>	<u>1,448,436</u>	<u>5,392,027</u>	<u>6,929,376</u>
2,691,697	-	-	2,691,697	1,429,147
-	2,022,128	-	2,022,128	4,018,852
972,823	-	-	972,823	884,935
2,828,793	-	-	2,828,793	2,046,648
-	-	-	300,762	407,049
-	-	-	44,425	45,247
-	-	-	803,023	474,888
<u>3,801,616</u>	<u>2,022,128</u>	<u>-</u>	<u>6,971,954</u>	<u>3,858,767</u>
<u>6,493,313</u>	<u>2,022,128</u>	<u>-</u>	<u>9,663,651</u>	<u>9,306,766</u>
<u>\$ 10,293,316</u>	<u>\$ 2,022,128</u>	<u>\$ 1,448,436</u>	<u>\$ 15,055,678</u>	<u>\$ 16,236,142</u>

TOWN OF WELSH, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
Year Ended May 31, 1999

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Revenues:			
Taxes	\$ 102,533	\$ 537,766	\$ -
Licenses and permits	76,126	-	-
Intergovernmental	38,222	-	-
Charges for services	151,776	-	-
Fines and forfeits	36,300	-	-
Interest income	15,542	5,996	-
Vending machine commission	31,828	-	-
Jeff Davis Sanitary Landfill	39,532	-	-
Grants	53,290	-	-
Miscellaneous	5,320	-	-
Total revenues	<u>550,469</u>	<u>543,762</u>	<u>-</u>
Expenditures:			
Current:			
General government	225,874	5,652	164,550
Police	351,292	-	-
Fire	60,128	-	-
Street	74,250	-	-
Sanitation	232,236	-	-
Recreation	83,382	-	-
Cemeteries	1,805	-	-
Airport	7,044	-	-
Health and welfare	15,110	-	-
Economic development	7,026	-	-
Total expenditures	<u>1,058,147</u>	<u>5,652</u>	<u>164,550</u>
Excess (deficiency) of revenues over expenditures	<u>(507,678)</u>	<u>538,110</u>	<u>(164,550)</u>
Other financing sources (uses):			
Capital lease	130,663	-	-
Interim loan proceeds	-	-	-
Paving certificates	-	-	8,768
Operating transfers in	590,300	-	270,503
Operating transfers out	-	(538,803)	-
Total other financing sources (uses)	<u>720,963</u>	<u>(538,803)</u>	<u>279,271</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	213,285	(693)	114,721
Fund balance at beginning of year, as previously reported	325,236	141,577	53,322
Add adjustment for the cumulative effect on prior years of correcting an error as explained in Note 20	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at beginning of year, as restated	<u>325,236</u>	<u>141,577</u>	<u>53,322</u>
Fund balance at end of year	<u>\$ 538,521</u>	<u>\$ 140,884</u>	<u>\$ 168,043</u>

See accompanying notes to financial statements

Capital Project	Totals (Memorandum Only)	
	1999	1998
\$ -	\$ 640,299	\$ 646,189
-	76,126	83,679
-	38,222	58,155
-	151,776	147,288
-	36,300	35,640
22,425	43,963	39,508
-	31,828	23,374
-	39,532	45,439
66,693	119,983	1,013,038
-	5,320	6,352
<u>89,118</u>	<u>1,183,349</u>	<u>2,098,662</u>
-	396,076	383,963
-	351,292	440,046
-	60,128	54,018
128,712	202,962	97,712
446,040	678,276	1,942,161
-	83,382	70,753
-	1,805	3,604
-	7,044	10,741
-	15,110	17,442
-	7,026	16,744
<u>574,752</u>	<u>1,803,101</u>	<u>3,037,184</u>
<u>(485,634)</u>	<u>(619,752)</u>	<u>(938,522)</u>
-	130,663	-
379,347	379,347	804,668
-	8,768	23,320
-	860,803	775,121
-	(538,803)	(571,717)
<u>379,347</u>	<u>840,778</u>	<u>1,031,392</u>
(106,287)	221,026	92,870
407,049	927,184	770,411
-	-	63,903
<u>407,049</u>	<u>927,184</u>	<u>834,314</u>
<u>\$ 300,762</u>	<u>\$ 1,148,210</u>	<u>\$ 927,184</u>

TOWN OF WELSH, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES-BUDGET (GAAP BASIS) AND ACTUAL-ALL GOVERNMENTAL FUND TYPES
Year Ended May 31, 1999

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ 98,200	\$ 102,533	\$ 4,333
Licenses and permits	69,700	76,126	6,426
Intergovernmental	40,100	38,222	(1,878)
Charges for services	138,300	151,776	13,476
Fines and forfeits	15,850	36,300	20,450
Interest income	8,000	15,542	7,542
Vending machine commission	18,000	31,828	13,828
Grants	40,000	39,532	(468)
Landfill	500,000	53,290	(446,710)
Miscellaneous	1,750	5,320	3,570
Total revenues	<u>929,900</u>	<u>550,469</u>	<u>(379,431)</u>
Expenditures:			
Current:			
General government	357,805	225,874	131,931
Police	366,677	351,292	15,385
Fire	101,327	60,128	41,199
Street	103,725	74,250	29,475
Sanitation	177,854	232,236	(54,382)
Recreation	79,543	83,382	(3,839)
Cemeteries	36,600	1,805	34,795
Airport	513,250	7,044	506,206
Health and welfare	18,112	15,110	3,002
Economic development	12,000	7,026	4,974
Total expenditures	<u>1,766,893</u>	<u>1,058,147</u>	<u>708,746</u>
Excess (deficiency) of revenues over expenditures	<u>(836,993)</u>	<u>(507,678)</u>	<u>329,315</u>
Other financing sources (uses):			
Capital lease proceeds	-	130,663	130,663
Operating transfers in	-	590,300	590,300
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>720,963</u>	<u>720,963</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>(836,993)</u>	<u>213,285</u>	<u>1,050,278</u>
Fund balance at beginning of year	<u>11,362</u>	<u>325,236</u>	<u>313,874</u>
Fund balance at end of year	<u>\$ (825,631)</u>	<u>\$ 538,521</u>	<u>\$ 1,364,152</u>

See accompanying notes to financial statements

<u>Special Revenue Funds</u>			<u>Debt Service Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 530,000	\$ 537,766	\$ 7,766	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,200	5,996	1,796	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>534,200</u>	<u>543,762</u>	<u>9,562</u>	<u>6,550</u>	<u>8,768</u>	<u>2,218</u>
			<u>6,550</u>	<u>8,768</u>	<u>2,218</u>
5,650	5,652	(2)	170,586	164,550	6,036
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>5,650</u>	<u>5,652</u>	<u>(2)</u>	<u>170,586</u>	<u>164,550</u>	<u>6,036</u>
<u>528,550</u>	<u>538,110</u>	<u>9,560</u>	<u>(164,036)</u>	<u>(155,782)</u>	<u>8,254</u>
-	-	-	-	-	-
-	-	-	-	270,503	270,503
<u>(302,425)</u>	<u>(538,803)</u>	<u>(236,378)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(302,425)</u>	<u>(538,803)</u>	<u>(236,378)</u>	<u>-</u>	<u>270,503</u>	<u>270,503</u>
226,125	(693)	(226,818)	(164,036)	114,721	278,757
<u>838</u>	<u>141,577</u>	<u>140,739</u>	<u>(88,440)</u>	<u>53,322</u>	<u>141,762</u>
<u>\$ 226,963</u>	<u>\$ 140,884</u>	<u>\$ (86,079)</u>	<u>\$ (252,476)</u>	<u>\$ 168,043</u>	<u>\$ 420,519</u>

TOWN OF WELSH, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
 RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
 Years Ended May 31, 1999 and 1998

	<u>Enterprise Funds</u>	
	<u>1999</u>	<u>1998</u>
Operating revenues:		
Charges for services	\$ 5,421,047	\$ 6,953,192
Provision for bad debts	(55,502)	(228,146)
Contractual allowances	(109,800)	(393,980)
Property taxes	94,940	78,544
Grants and contributions	5,130	111,183
Miscellaneous	<u>60,771</u>	<u>52,236</u>
Total operating revenues	<u>5,416,586</u>	<u>6,573,029</u>
Operating expenses:		
Public utility	1,941,665	1,769,581
Hospital	388,785	1,961,941
Extended care facility	2,421,572	2,302,071
Depreciation	238,751	267,378
Amortization	<u>40,224</u>	<u>41,324</u>
Total operating expenses	<u>5,030,997</u>	<u>6,342,295</u>
Operating income	<u>385,589</u>	<u>230,734</u>
Nonoperating revenues (expenses):		
Interest expense	(221,128)	(201,700)
Interest income	<u>59,387</u>	<u>60,273</u>
Total nonoperating revenues (expenses)	<u>(161,741)</u>	<u>(141,427)</u>
Income before operating transfers	<u>223,848</u>	<u>89,307</u>
Operating transfers:		
Operating transfers in	76,386	21,597
Operating transfers (out)	<u>(398,386)</u>	<u>(225,000)</u>
Total operating transfers	<u>(322,000)</u>	<u>(203,403)</u>
Net (loss) before extraordinary item	(98,152)	(114,096)
Extraordinary item:		
Gain on sale of assets	<u>957,576</u>	<u>-</u>
Net income (loss) after extraordinary item	<u>859,424</u>	<u>(114,096)</u>
Retained earnings at beginning of year	2,931,583	3,109,582
Depreciation on fixed assets acquired with federal grants	10,609	-
Net income (loss) as restated for year ended May 31, 1998	<u>-</u>	<u>(63,903)</u>
Retained earnings at end of year	<u>\$ 3,801,616</u>	<u>\$ 2,931,583</u>

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA
 COMBINED STATEMENTS OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 Years Ended May 31, 1999 and 1998

	Enterprise Funds	
	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 385,589	\$ 230,734
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	238,751	267,378
Amortization	40,224	41,324
Net change in assets and liabilities:		
Decrease in receivables and accruals	118,468	184,582
Decrease in inventories	60,819	17,943
Decrease in prepaid expenses	16,537	5,096
(Increase) decrease in due from other agencies	109,058	(86,705)
Increase (decrease) in accounts payable and accruals	(110,767)	64,045
Increase in amounts due to other agencies	26,183	-
Increase (decrease) in liabilities payable from restricted assets	(1,050)	5,735
Net cash provided by operating activities	883,812	730,132
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
(Increase) in due from other funds	(4,721)	(27,424)
Increase in amounts due to other funds	106,980	26,806
Contributed capital	1,273,159	-
Operating transfers in	76,386	21,597
Operating transfers (out)	(398,386)	(225,000)
Net cash provided by (used in) noncapital financing activities	1,053,418	(204,021)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of assets	3,391,398	-
Proceeds from long-term borrowings	1,311,291	-
Acquisition and construction of fixed assets	(2,651,845)	(161,448)
Principal paid on bonds	(1,843,672)	(231,596)
Interest paid on bonds and capital lease obligations	(221,128)	(201,700)
Net cash (used in) capital and related financing activities	(13,956)	(594,744)

(continued on next page)

TOWN OF WELSH, LOUISIANA
 COMBINED STATEMENTS OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 Years Ended May 31, 1999 and 1998
 (Continued)

	Enterprise Funds	
	1999	1998
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of short-term investments	1,245	71,564
Interest income	59,387	60,273
Net cash provided by investing activities	60,632	131,837
Net increase in cash and cash equivalents	1,983,906	63,204
Cash and cash equivalents:		
Beginning of year	304,409	241,205
End of year	\$ 2,288,315	\$ 304,409
Cash and cash equivalents at end of year consist of:		
Restricted cash	\$ 115,992	\$ 27,839
Unrestricted cash	2,172,393	276,570
Total	\$ 2,288,315	\$ 304,409

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
May 31, 1999

Note 1. Summary of Significant Accounting Policies

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

The accounting and reporting policies of the Town of Welsh, Louisiana conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidance set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

The following is a summary of certain significant accounting policies.

A. Financial Reporting Entity

The accompanying financial statements include the various departments, activities, and organizational units that are within the control and authority of the Mayor and Board of Aldermen of the Town of Welsh, Louisiana. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Consistent with this criteria, the Town of Welsh, Louisiana has determined that the Welsh General Hospital and Welsh Extended Care Facility are component units of the Town. Welsh Extended Care Facility and the fixed assets of Welsh General Hospital were sold on May 31, 1999.

B. Fund Accounting

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements, in this report, into generic fund types and broad fund categories as follows:

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 - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - These funds account for all financial resources segregated for the acquisition or construction of major general government capital projects.

PROPRIETARY FUNDS

Enterprise Funds - 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 periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

ACCOUNT GROUPS

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources" during a period. Fixed assets used in governmental fund type operations (general fixed assets) should be accounted for in the General Fixed Assets Account Group, rather than in Governmental Funds.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the Governmental Funds.

The two account groups mentioned above are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Public utility:	
Plant and equipment	50 years
Hospital and Extended Care Facility:	
Building and improvements	10-50 years
Equipment	5-25 years
Land improvements	15-20 years

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using a financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet and increases or decreases in net current assets are presented in the operating statements. These funds utilize the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Certain revenues such as sales tax, property tax, and charges for services are assessed and collected in such a manner that they can be accrued appropriately. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for principal and interest on general long-term debt which are recognized when due. Also, expenditures for accrued compensated absences are not recognized until they are payable from current available financial resources.

The proprietary fund is accounted for and reported using a flow of economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds are included on the balance sheet and fund equity consists of contributed capital and retainage earnings. The operating statements for the proprietary fund presents increases or decreases in net total assets.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Assets purchased are recorded as expenditures in the governmental funds and capitalized at cost in the General Fixed Asset Account Group. The Town has elected not to capitalize public domain ("infrastructure") fixed assets consisting of certain improvements including roads, bridges, sidewalks, and drainage improvements. No depreciation has been provided on general fixed assets.

The Governmental Accounting Standards Board (GASB) Statement Number 20 (effective for financial statements for periods beginning after December 15, 1993) provides guidance on accounting and financial reporting for proprietary fund types and allows proprietary fund types to choose one of two options in applying pronouncements issued by the Financial Accounting Standards Board (FASB) after November 30, 1989. The Town of Welsh has elected to use the first option for reporting its activities. This approach applies all GASB pronouncements and FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Changes to FASB statements and interpretations, APB Opinions and ARBs issued after November 30, 1989, would not apply unless adopted by GASB.

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 expenses during the reporting period. Actual results could differ from those estimates.

D. Budgets and Budgetary Accounting

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

1. Prior to May 15, the Town Clerk submits to the Mayor and Town Council a proposed operating budget for the fiscal year commencing the following June 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at Town Hall to obtain comments from the public.
3. Prior to May 31, the budget is legally enacted through passage of an ordinance.
4. Amendments to the budget are approved by the Town Council by a formal adoption of an ordinance.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue and Debt Service Funds. The capital budget ordinances which encompass the Capital Project Funds present cumulative as opposed to annual budget amounts and thus budget and actual comparisons are not reported in the accompanying financial report for these funds.

6. Any revisions that alter total expenditures of any fund must be approved by the aldermen. Expenditures cannot legally exceed appropriations on a fund level.
7. The Town does not utilize encumbrance accounting.
8. Budget appropriations lapse at year end.

E. Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include money market accounts and any highly liquid debt instruments purchased with a maturity of three months or less. Also see Note 2 for additional disclosures related to cash and investments.

Cash and cash equivalents include amounts in demand deposits and certificates of deposit. Certificates of deposit are stated at cost.

Louisiana State Statutes, as stipulated in R.S. 39:1271, authorize the Town to invest in 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 the principal office in the State of Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investments are stated at cost. In accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The Board has stated their investments, with a remaining maturity at time of purchase of one year or less, at amortized cost. Investments with a maturity at time of purchase of greater than one year are presented at fair value at May 31, 1999. Fair value was determined by obtaining "quoted" year end market prices. The Town of Welsh had no investments greater than one year and thus no amounts at fair value are listed in the balance sheet.

F. Estimated Uncollectibles and Contractual Allowances

Uncollectible amounts due from customers' utility receivables, hospital and extended care receivables are recognized as bad debts and contractual allowances expense through the establishment of an allowance account at the time information becomes available, which would indicate the uncollectibility of the particular receivable.

G. Inventories

Inventories held by the Enterprise Funds are priced at the lower of cost (first-in, first-out) or market.

H. Fixed Assets

All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Approximately 45 percent of general fixed assets and 41 percent of public utility fixed assets are recorded at estimated historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

Assets in the general fixed assets account group, if presented, are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight line method.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

I. Restricted Assets

These assets consist of cash and investments restricted for various purposes as detailed in Note 4.

J. Reserves and Designations

The Town records reserves to indicate that a portion of the fund balance or retained earnings is legally segregated for a specific future use. The Town records designations to indicate the adoption of tentative plans that, if carried out, would restrict the use of financial resources. The following is a list of all reserves and designations used by the Town and a description of each as of May 31, 1999:

	<u>Reserved</u>
Enterprise funds:	
Reserved for public utility revenue bond debt service (sinking and reserve fund)	\$ 293,538
Reserved for hospital maintenance	89,994
Reserved for public utility construction in progress, contingencies, capital additions	506,046
Reserved for certificates of indebtedness-sinking fund	<u>83,245</u>
	<u>\$ 972,823</u>

K. Revenue Recognition - Property Taxes

Property taxes are levied on June 1, billed on November 1, and payable by December 31.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end.

The total millage of 18.53 for the year ending May 31, 1999 was composed of the following:

<u>Description</u>	<u>Millage</u>	<u>Collected</u>
General property tax	7.71	\$ 63,585
Hospital maintenance tax	10.82	152,818

L. Compensated Absences

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

1. The Town's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria the Town has accrued a liability for vacation pay which has been earned but not taken by Town employees. For governmental funds the liability for compensated absences is in the general fund since it is anticipated that the liability will be liquidated with expendable available financial resources. The liability for compensated absences is recorded in proprietary fund types as an accrued liability in accordance with FASB Statement 43.

M. Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, complete comparative data (i.e., presentation of prior year totals by fund type in each of the statements) have not been presented since their inclusion would make the statements unduly complex and difficult to read.

N. Total Columns on Combined Statements - Overview

Total columns on the Combined Statements - Overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

O. Interest Expense

Interest expense that relates to the cost of acquiring or constructing fixed assets in the Enterprise Funds is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with Financial Accounting Standards Board (FASB) Statement No. 62-Capitalization of Interest Cost in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants.

Note 2. Cash and Investments

Pursuant to state law the Town may deposit funds with state banks organized under the laws of Louisiana and national banks having principal offices in the state. Investments may include instruments or obligations issued by the United States Government or its agencies, time certificates of deposit of certain banks, or any other federally issued investment.

The Town's bank demand and time deposits at year end were entirely covered by federal depository insurance or by pledge of securities owned by the financial institution in the Town's name. The deposits at May 31, 1999 classified to give an indication of the level of risk assumed by the Town are as follows:

May 31, 1999	<u>Cash and Demand Deposits</u>	<u>Certificates of Deposit</u>
Carrying amount	<u>\$ 2,522,829</u>	<u>\$ 366,704</u>
Bank balances:		
1. Insured or collateralized with securities held by the entity or its agent in the entity's name	\$ 100,000	\$ 100,000
2. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name	2,422,829	266,704
3. Uncollateralized, including any securities held for the entity but not in the entity's name	<u>-</u>	<u>-</u>
Total bank balances	<u>\$ 2,522,829</u>	<u>\$ 366,704</u>

Credit risk categories:

The Town's deposits and investments are categorized above in accordance with GASB Statement No. 3 to give an indication of the level of risk assumed at year end. Category 1, which represents the lowest level of risk, includes investments and deposits that are insured or registered or for which the securities are held by the Town or its agent in the Town's name. Category 2 includes uninsured and unregistered investments with the securities held by the financial institution's trust department or agent in the Town's name. Category 3, which represents the greatest level of risk, includes uninsured and unregistered investments or deposits which are not protected by collateral, or for which securities are not held in the Town's name. Category 3 were not applicable to any deposits or investments at any time during the fiscal year ended May 31, 1999.

Note 3. Dedication of Proceeds and Flow of Funds - 2.0% Sales and Use Tax

Proceeds of a 1% sales and use tax levied by the Town of Welsh, Louisiana (1999 collections \$265,072; 1998 \$248,580) are dedicated to the following purposes:

1. Used for any legal purpose as approved by Mayor and Board of Aldermen.

Proceeds of a 1% sales and use tax levied by the Town of Welsh, Louisiana approved by voters May, 1996 to expire April 2011 (1999 collections \$265,072; 1998 \$428,560) are dedicated to the following purposes:

1. 100% of collections to be used for street maintenance, construction and bonded debt repayment.

Note 4. Restricted Assets

Assets were restricted for the following purposes as of May 31, 1999:

Public utility:

Customer deposits	\$ 10,356
Sewer and water system construction in progress	433,827
Revenue bond sinking fund, 1988 series	105,203
Revenue bond reserve fund, 1988 series	129,275
Revenue bond sinking fund, 1994 series	9,056
Revenue bond reserve fund, 1994 series	<u>31,234</u>
	<u>718,951</u>

Hospital:

Hospital repairs and operations-property tax monies	<u>89,994</u>
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Extended Care Facility:

Retirement of revenue bonds-certificates of indebtedness, FMHA bonds	47,733
Repair and replacement reserve for \$395,000 revenue bonds dated September 1, 1971	72,219
Reserve, contingency fund-certificates of indebtedness, FMHA bonds	<u>83,246</u>
	<u>203,198</u>

Total-all proprietary fund types	<u>\$ 1,012,143</u>
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Note 5. Fixed Assets

A summary of proprietary fund type property, plant and equipment at May 31, 1999 follows:

	<u>Utility</u>	<u>Hospital</u>	<u>Extended Care Facility</u>	<u>Total</u>
Land	\$ 128,204	\$ -	\$ -	\$ 128,204
Electric system	1,843,111	-	-	1,843,111
Water system	5,193,271	-	-	5,193,271
Sewer system	<u>1,770,172</u>	<u>-</u>	<u>-</u>	<u>1,770,172</u>
	8,934,758	-	-	8,934,758
Less accumulated depreciation	<u>2,748,791</u>	<u>-</u>	<u>-</u>	<u>2,748,791</u>
	<u>\$ 6,185,967</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,185,967</u>

Note 6. Bond Issue Cost

Bond issue costs are being amortized on the straight-line method over the life of the bonds. The following is a summary of net bond issue cost at May 31, 1999:

	<u>Public Utility</u>	<u>Extended Care Facility</u>	<u>Total</u>
Cost	\$ 70,873	\$ -	\$ 70,873
Less accumulated amortization	<u>38,096</u>	<u>-</u>	<u>38,096</u>
	<u>\$ 32,777</u>	<u>\$ -</u>	<u>\$ 32,777</u>

Note 7. Liabilities Payable From Restricted Assets

Certain cash and investments of the Town have been restricted for payment of the following:

Customer deposits in Public Utility Fund	\$ 39,320
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Note 8. Changes in General Fixed Asset Group

A summary of changes in general fixed assets follows:

	<u>Balance 5/31/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 5/31/99</u>
Buildings	\$ 372,641	\$ -	\$ -	\$ 372,641
Equipment and furniture	348,771	76,131	(38,247)	386,655
Improvements other than buildings	302,540	2,822	-	305,362
Land	72,599	-	-	72,599
Vehicles	748,890	135,981	-	884,871
Construction in progress-LCDBG	<u>2,173,411</u>	<u>446,040</u>	<u>(2,619,451)</u>	<u>-</u>
	<u>\$ 4,018,852</u>	<u>\$ 660,974</u>	<u>\$(2,657,698)</u>	<u>\$ 2,022,128</u>

Note 9. Long-Term Debt

The following is a summary of bonds payable of the Town for the year ended May 31, 1999:

	<u>Balance</u> <u>5/31/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>5/31/99</u>
Enterprise:				
Revenue bonds	<u>\$ 3,439,421</u>	<u>\$ 1,311,291</u>	<u>\$(1,843,672)</u>	<u>\$ 2,907,040</u>
General long-term debt group	<u>\$ 2,389,544</u>	<u>\$ 107,236</u>	<u>\$(1,048,344)</u>	<u>\$ 1,448,436</u>

Bonds payable are comprised of the following:

Enterprise fund debt:

Enterprise Revenue Bonds:

\$395,000, 1971 Hospital Revenue Bonds, maturing serially and become due September 1, of each year until final retirement on September 1, 2011, interest at 5.38% \$ 12,000

\$1,000,000 1994 Water Revenue Bonds, maturing December 8, 2014, principal and interest payable monthly in amount of \$6,880, interest rate of 5.125% per annum 883,750

Refunding bonds-Series 1995, maturing serially and become due September 1 of each year until final retirement September 1, 2008, interest rate at 5.75% 700,000

DEQ loan dated October 25, 1996 in the original amount of \$1,500,000, 2.45% interest plus .5% fee maturing September 1, 2017 payable annually in amortization payments 1,311,291

Total enterprise fund debt \$ 2,907,041

General obligation debt:

\$1,500,000 Public Improvement Sales Tax Bonds Series ST-1996 maturing May 1, 2011, principal payable annually, interest payable semi-annually until final retirement, interest rate 8.00% through May 1, 2001 and increases annually from 4.9% at May 1, 2002 to 5.5% at maturity \$ 1,290,000

Paving Certificates-1997 - 10 certificates each at \$6,400 maturing one each year at January 1 beginning 1998 through January 1, 2007, fixed annual payment of \$6,400 plus 5.5% annual interest from issue to maturity 51,200

Capital lease obligation as described in
Note 10

Total General Long-Term Debt Group

\$ 1,448,436

The annual requirements to amortize all bonded debts outstanding as of May 31, 1999 follows:

Enterprise Fund Bonds:

<u>Year Ending</u> <u>May 31,</u>	<u>FMHA Water Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 38,048	\$ 44,512	\$ 82,560
2001	40,045	42,515	82,560
2002	42,146	40,309	82,455
2003	44,357	38,098	82,455
2004-2014	<u>719,154</u>	<u>235,949</u>	<u>955,103</u>
	<u>\$ 883,750</u>	<u>\$ 401,383</u>	<u>\$ 1,285,133</u>

<u>Year Ending</u> <u>May 31,</u>	<u>Utility Revenue Bonds - Series 1995</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 50,000	\$ 38,812	\$ 88,812
2001	55,000	35,794	90,794
2002	60,000	32,488	92,488
2003	60,000	29,038	89,038
2004-thereafter	<u>475,000</u>	<u>226,981</u>	<u>701,981</u>
	<u>\$ 700,000</u>	<u>\$ 363,113</u>	<u>\$ 1,063,113</u>

<u>Year Ending</u> <u>May 31,</u>	<u>DEO Loan</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 55,000	\$ 59,581	\$ 114,581
2001	55,000	37,061	92,061
2002	55,000	35,438	90,438
2003	60,000	33,816	93,816
2004-thereafter	<u>1,086,291</u>	<u>256,887</u>	<u>1,343,178</u>
	<u>\$ 1,311,291</u>	<u>\$ 422,783</u>	<u>\$ 1,734,074</u>

General Long-Term Debt Group:

Year Ending May 31,	Public Improvement Bonds-ST-1996		
	Principal	Interest	Total
2000	\$ 80,000	\$ 72,960	\$ 152,960
2001	80,000	66,560	146,560
2002	85,000	60,160	145,160
2003	90,000	55,995	145,995
2004-2011	<u>955,000</u>	<u>249,590</u>	<u>1,204,590</u>
	<u>\$ 1,290,000</u>	<u>\$ 505,265</u>	<u>\$ 1,795,265</u>

Year Ending May 31,	Paving Certificates - 1998		
	Principal	Interest	Total
2000	\$ 6,400	\$ 2,816	\$ 9,216
2001	6,400	2,464	8,864
2002	6,400	2,112	8,512
2003	6,400	1,760	8,160
2004-thereafter	<u>25,600</u>	<u>3,520</u>	<u>29,120</u>
	<u>\$ 51,200</u>	<u>\$ 12,672</u>	<u>\$ 63,872</u>

The Utilities Revenue Bond, Series 1988 was refunded during the fiscal year ended May 31, 1997, which will produce an ultimate savings of \$351,316 over the life of the issue, which will be fully paid on September 1, 2008. A new bond issue in the amount of \$700,000 will be combined with funds of the Town to retire the 1988 issue on September 1, 1998. The Series 1988 issue had an interest rate of above 8% while the refunding bonds have an interest rate of 5.75%.

All issuance costs of the transaction (\$105,977) were paid with various restricted funds remaining from the Series 1988 issue. The net proceeds were used to purchase U.S. Government securities yielding 5 percent. These funds were deposited with the escrow agent to provide for debt service at September 1, 2008. These costs will be amortized over the life of the old issue (three years) beginning June 1, 1997.

The 1988 Public Utility Fund Revenue Bond Indenture requires, among other things, that the Town establish and maintain utility rates so that operating income before depreciation is at least equal to 140% of the largest amount of principal and interest maturing in any future fiscal year (\$161,280). This bond indenture also requires the establishment and maintenance of various cash funds. As of May 31, 1999, the Town remains in substantial compliance with these requirements as well as numerous other limitations and restrictions contained in this and the Hospital Bond Indenture.

The 1994 FMHA Utility Revenue Bond Indenture requires, among other things, that the Town adopt the utility rates as outlined on the bond indenture. This bond also requires the establishment and maintenance of various cash funds. As of May 31, 1999, the Town is in substantial compliance with these requirements, as well as numerous other limitations and restrictions contained in this indenture.

Note 10. Capital Lease

The present value of capital leases are (in thousands):

	<u>Capital Leases</u> General Long-Term Debt (1)
2000	\$ 35,862
2001	25,918
2002	25,918
2003	25,918
Thereafter	<u>8,639</u>
Total	122,255
Less amount representing interest (0.517% to 0.524%)	<u>15,019</u>
Present value of future minimum lease payments	<u>\$ 107,236</u>

(1) These leases, primarily payable from the General Fund, are reported as an expenditure and other financing source in the year of acquisition.

Note 11. Deficit Fund Balance or Retained Earnings

As of May 31, 1999, the Extended Care Facility Enterprise Fund had a deficit in retained earnings of \$(30,275). This deficit is being funded primarily by the Public Utility Enterprise Fund. Additionally, there was a deficit of \$(20,910) in the Paving Certificate Capital Project Fund.

Note 12. Interfund Transactions

During the course of normal operations, the Town has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. All interfund transactions of the Town except loans or advances, quasi-external transactions, and reimbursements are reflected as transfers.

Individual fund interfund receivable and payable balances at May 31, 1999 were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 192,280	\$ 31,907
Special Revenue Fund	74,051	56
Debt Service Fund	-	15
Capital Project Fund	-	28,404
Enterprise Funds:		
Public utility	100,637	206,586
Hospital	-	116,282
Extended Care Facility	<u>16,282</u>	<u>-</u>
	<u>\$ 383,250</u>	<u>\$ 383,250</u>

Note 13. Segment Information for Enterprise Funds

The Town maintains three enterprise funds which provide utilities (electricity, water and sewer), in and out patient hospital services, and extended care services for the aged. Segment information for the year ended May 31, 1999 was as follows:

	<u>Public Utility</u>	<u>Hospital</u>	<u>Extended Care Facility</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$ 2,613,960	\$ 257,987	\$ 2,544,639	\$ 5,416,586
Depreciation and amortization	171,457	19,688	87,830	277,620
Operating income	500,838	(150,486)	35,237	385,589
Operating grants, entitlements, and shared revenues	-	-	-	-
Operating transfers:				
In	-	-	76,386	76,386
Out	322,000	76,386	-	398,386
Net income (loss)	94,347	(223,551)	31,052	859,424

	<u>Public Utility</u>	<u>Hospital</u>	<u>Extended Care Facility</u>	<u>Total Enterprise Funds</u>
Extraordinary item:				
Gain on sale of assets	-	750,235	207,381	-
Interest costs:				
Total incurred	84,491	(3,321)	80,571	161,741
Net working capital	430,383	1,213,655	459,700	2,103,738
Total assets	7,827,691	1,490,233	975,392	10,293,316
Bonds and other long-term liabilities:				
Payable from operating revenues	2,801,992	-	-	2,801,992
Total equity	4,526,766	1,303,649	662,898	6,493,313

Note 14. Commitments and Contingencies

The Town is under a compliance order from the Environmental Protection Agency (EPA) to meet specific effluent limitations which has been extended. Under the order the Town has entered into an agreement with the EPA to make modifications to the sewage disposal plant. The sewage disposal plant modifications are estimated to cost approximately \$2.4 million.

Note 15. Litigation

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.

Note 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	.421196
Welsh	1,167	.118129
Lake Arthur	1,212	.122684
Parish (excluding Jennings, Welsh, Lake Arthur and Elton)	<u>3,339</u>	<u>.337991</u>
	<u>9,879</u>	<u>1.000000</u>

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, 1998 (the latest available audited financial statements) were as follows:

	<u>Total</u>	<u>Welsh (11.8129%)</u>
Total assets	\$ 3,708,143	\$ 438,373
Total liabilities	27,570	3,259
Total equity	3,680,573	435,114
Total liabilities and equity	3,708,143	438,373
Total revenues	952,147	112,562
Total expenditures	855,528	101,140
Net increase in fund balance	96,619	11,422

As of December 31, 1998, the Commission had no long-term debt outstanding.

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 or 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.

During the year ended December 31, 1998, the Commission voted to distribute \$340,000 to the four local government bodies that participate in the Landfill Commission and funded its construction and early operations. The distributions were made in the same proportions as the original investments by the governments. For the Town of Welsh, the distribution amounted to \$39,532 and \$45,439, respectively, which is recorded as "Jeff Davis Sanitary Landfill" in the General Fund in the fiscal years ended May 31, 1999 and 1998.

Note 17. Pension Plan

Municipal Employee's Retirement System

Plan description:

The Town of Welsh contributes to the Municipal Employees' Retirement System of Louisiana, a cost-sharing multiple-employer plan administered by the Municipal Employee's Retirement System, State of Louisiana. The Municipal Employees' Retirement System of Louisiana was established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, towns and cities within the State, which did not have their own retirement systems and which elected to become members of the System. The System is administered by a Board of Trustees composed of nine members, six of whom shall be active and contributing members of the System with at least ten years creditable service, elected by the members of the System; one of whom shall be the president of the Louisiana Municipal Association who shall serve as an ex-officio member during his tenure; one of whom shall be the Chairman of the Senate Retirement

Committee; one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana. Act #569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees' Retirement System, effective on and after June 30, 1970. Effective October 1, 1978, under Act #788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan "A" combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan "B" participates in only the original plan. The Town of Welsh is a member of plan "B" of the retirement system. Historical trend information for this plan is included in the separately issued report for the Municipal Employee's Retirement System for the period ended June 30, 1998.

Funding policy:

Plan members are required to contribute 5.00% of their annual covered salary and the Town of Welsh is required to contribute at a statutorily determined rate. The current rate is 4.50% of annual covered payroll. The contribution requirements of plan members and the Town of Welsh are established and may be amended by the Board of Trustees. The Town of Welsh's contributions to the Municipal Employees' Retirement System of Louisiana for the years ending May 31, 1999, 1998, and 1997 were \$11,690, \$10,625, and \$11,209, respectively, equal to the required contributions for each year.

Note 18. Contributed Capital

The following is a schedule of changes in contributed capital for the year ended May 31, 1999:

	<u>Enterprise Fund</u>		Extended	
	Public		Care	
	<u>Utility</u>	<u>Hospital</u>	<u>Facility</u>	<u>Total</u>
Balance, June 1, 1998	\$ 354,114	\$ 381,860	\$ 693,173	\$ 1,429,147
Transfers	1,273,160	-	-	1,273,160
Other	<u>(10,610)</u>	<u>-</u>	<u>-</u>	<u>(10,610)</u>
Balance, May 31, 1999	<u>\$ 1,616,664</u>	<u>\$ 381,860</u>	<u>\$ 693,173</u>	<u>\$ 2,691,697</u>

Note 19. Extraordinary Item

On May 31, 1999, Welsh Extended Care Facility and Welsh General Hospital's fixed assets were sold to James Joubert for \$3.4 million dollars. The proceeds were allocated between Welsh Extended Care Facility and Welsh General Hospital based on net asset value. This resulted in a gain in the amount of \$750,235 for Welsh General Hospital and \$207,341 for Welsh Extended Care Facility. The proceeds were used to pay off all debt. The remaining proceeds were put in a reserve fund.

Note 20. Correction of an Error

Retained earnings at the beginning of the year ended May 31, 1998 has been adjusted to correct an error expending grant income in the capital projects fund in the incorrect period made in the year ending May 31, 1997. The totals (memo only) columns on the statements were corrected to reflect the change made to the prior year amounts. Had the error not been made, net income for the year ending May 31, 1997 would have been increased by \$63,903.

COMBINING STATEMENTS

SPECIAL REVENUE FUNDS

SALES TAX FUND - to account for the collection of the 1% sales and use tax which is to be used for purposes approved by the Mayor and Board of Aldermen.

FEDERAL REVENUE SHARING FUND - to account for the revenues and expenditures of the federal revenue sharing program as required by federal regulations.

LOCAL GOVERNMENT ASSISTANCE - to account for the revenue received from the State of Louisiana Local Government Assistance Fund. The Town must submit a report to each member of its legislative delegation on the proposed use of these funds prior to the commitment of such funds.

SALES TAX - 1996 - to account for the 1996 sales tax collections of the 15 year 1% sales and use tax to be used to retire \$1,500,000 long-term debt and for street improvements and maintenance.

TOWN OF WELSH, LOUISIANA
SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET
May 31, 1999
With Comparative Totals for May 31, 1998

<u>ASSETS</u>	<u>Sales Tax</u>	<u>Federal Revenue Sharing</u>	<u>Local Government Assistance</u>
Cash	\$ 6,298	\$ 10,949	\$ 50,141
Investments, at cost	-	-	-
Due from other funds	<u>68,992</u>	<u>-</u>	<u>5,059</u>
Total assets	<u>\$ 75,290</u>	<u>\$ 10,949</u>	<u>\$ 55,200</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Cash overdraft	\$ 332	\$ -	\$ -
Accounts payable	167	-	-
Due to other funds	<u>-</u>	<u>56</u>	<u>-</u>
Total liabilities	499	56	-
Fund balances:			
Unreserved:			
Undesignated	<u>74,791</u>	<u>10,893</u>	<u>55,200</u>
Total liabilities and fund balances	<u>\$ 75,290</u>	<u>\$ 10,949</u>	<u>\$ 55,200</u>

Sales Tax 1996	Totals	
	1999	1998
\$ -	\$ 67,388	\$ 3,713
-	-	64,036
-	<u>74,051</u>	<u>74,051</u>
<u>\$ -</u>	<u>\$ 141,439</u>	<u>\$ 141,800</u>
\$ -	\$ 332	\$ -
-	167	167
-	<u>56</u>	<u>56</u>
-	555	223
-	<u>140,884</u>	<u>141,577</u>
<u>\$ -</u>	<u>\$ 141,439</u>	<u>\$ 141,800</u>

TOWN OF WELSH, LOUISIANA
SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended May 31, 1999
With Comparative Totals for Year Ended May 31, 1998

	<u>Sales Tax</u>	<u>Federal Revenue Sharing</u>	<u>Local Government Assistance</u>
Revenues:			
Taxes	\$ 268,634	\$ -	\$ -
Interest income	1,668	520	2,437
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	270,302	520	2,437
Expenditures:			
General government	<u>5,652</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	264,650	520	2,437
Other financing sources (uses):			
Operating transfers out	<u>(268,300)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other uses	(3,650)	520	2,437
Fund balances at beginning of year	<u>78,441</u>	<u>10,373</u>	<u>52,763</u>
Fund balances at end of year	<u>\$ 74,791</u>	<u>\$ 10,893</u>	<u>\$ 55,200</u>

Sales Tax 1996	<u>Totals</u>	
	<u>1999</u>	<u>1998</u>
\$ 269,132	\$ 537,766	\$ 541,104
1,371	5,996	5,212
<u>-</u>	<u>-</u>	<u>128</u>
270,503	543,762	546,444
<u>-</u>	<u>5,652</u>	<u>5,701</u>
270,503	538,110	540,743
<u>(270,503)</u>	<u>(538,803)</u>	<u>(537,145)</u>
-	(693)	3,598
<u>-</u>	<u>141,577</u>	<u>137,979</u>
<u>\$ -</u>	<u>\$ 140,884</u>	<u>\$ 141,577</u>

DEBT SERVICE FUNDS

PAVING CERTIFICATES ISSUED IN 1996 - to accumulate monies for payment of 10 paving certificates at \$6,400 each to retire one per year for 10 years at 5.5% annual interest. Funds for servicing debt provided by paving assessments payable in 30 days at 2% interest or annually over 10 years at 6.5% interest.

ST-1996 - to accumulate monies for the payment of \$1,500,000 sales tax bonds with graduated annual payments from \$65,000 to \$145,000 for 15 years with semi-annual interest at 8% for 5 years and 4.9% graduated to 5.5% for 10 years. This issue is being serviced with the proceeds of the Town's 1% sales and use tax.

TOWN OF WELSH, LOUISIANA
DEBT SERVICE FUNDS

COMBINING BALANCE SHEET
May 31, 1999
With Comparative Totals for May 31, 1998

<u>ASSETS</u>	<u>Paving Certificates</u>	<u>1996 ST-1996 Street Drainage Bonds</u>	<u>Totals</u>	
			<u>1999</u>	<u>1998</u>
Cash	\$ 44,303	\$ 123,618	\$ 167,921	\$ 53,200
Cash - sinking	137	-	137	137
Assessments receivable	<u>24,861</u>	<u>-</u>	<u>24,861</u>	<u>33,629</u>
Total assets	<u>\$ 69,301</u>	<u>\$ 123,618</u>	<u>\$ 192,919</u>	<u>\$ 86,966</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Due to other fund	\$ 15	\$ -	\$ 15	\$ 15
Deferred paving assessments	<u>24,861</u>	<u>-</u>	<u>24,861</u>	<u>33,629</u>
Total liabilities	<u>24,876</u>	<u>-</u>	<u>24,876</u>	<u>33,644</u>
Fund balances:				
Reserved:				
Paving ST-1996	44,425	-	44,425	45,247
Unreserved:				
Undesignated	<u>-</u>	<u>123,618</u>	<u>123,618</u>	<u>8,075</u>
Total fund balances	<u>44,425</u>	<u>123,618</u>	<u>168,043</u>	<u>53,322</u>
Total liabilities and fund balances	<u>\$ 69,301</u>	<u>\$ 123,618</u>	<u>\$ 192,919</u>	<u>\$ 86,966</u>

TOWN OF WELSH, LOUISIANA
DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended May 31, 1999
With Comparative Actual Amounts for Year Ended May 31, 1998

	<u>Paving Certificates</u>	1996 ST-1996 Street Drainage Bonds	<u>Totals</u>	
			<u>1999</u>	<u>1998</u>
Revenues:				
Assessments	\$ 8,768	\$ -	\$ 8,768	\$ 23,320
Interest income	-	-	-	1,069
Miscellaneous	-	-	-	405
Total revenues	<u>8,768</u>	<u>-</u>	<u>8,768</u>	<u>24,794</u>
Expenditures:				
Bond principal	6,400	75,000	81,400	76,400
Bond interest	3,168	78,960	82,128	88,080
Bond sale expenses	-	1,000	1,000	1,000
Miscellaneous	22	-	22	-
Total expenditures	<u>9,590</u>	<u>154,960</u>	<u>164,550</u>	<u>165,480</u>
Excess (deficiency) of revenues over expenditures	<u>(822)</u>	<u>(154,960)</u>	<u>(155,782)</u>	<u>(140,686)</u>
Other financing sources (uses):				
Operating transfer in	-	270,503	270,503	271,645
Operating transfer out	-	-	-	(21,596)
Total other financing sources (uses)	<u>-</u>	<u>270,503</u>	<u>270,503</u>	<u>250,049</u>
Excess of revenues and other sources over expenditures and other uses	(822)	115,543	114,721	109,363
Fund balances at beginning of year	<u>45,247</u>	<u>8,075</u>	<u>53,322</u>	<u>(56,041)</u>
Fund balances at end of year	<u>\$ 44,425</u>	<u>\$ 123,618</u>	<u>\$ 168,043</u>	<u>\$ 53,322</u>

CAPITAL PROJECTS FUND

GRANT - to account for Community Development Block Grant funds and proceeds from Environmental Protection Agency.

PAVING - to account for paving certificate proceeds and expenditures made for paving.

SALES TAX-1996 - to account for proceeds of ST-1996 bonds and expenditures made for streets, drainage, equipment and improvements.

TOWN OF WELSH, LOUISIANA
CAPITAL PROJECTS FUND

BALANCE SHEETS
May 31, 1999 and 1998

<u>ASSETS</u>	<u>Grant</u>	<u>Paving Certificates</u>	<u>Sales Tax 1996</u>	<u>Totals</u>	
				<u>1999</u>	<u>1998</u>
Cash	\$ -	\$ -	\$ 355,000	\$ 355,000	\$ 428,560
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Cash overdraft	\$ -	\$ 20,910	\$ -	\$ 20,910	\$ 21,466
Accounts payable	-	-	4,924	4,924	45
Due to other funds	-	-	28,404	28,404	-
Total					
liabilities	-	20,910	33,328	54,238	21,511
Fund balance	-	(20,910)	321,672	300,762	407,049
Total					
liabilities and fund balance	\$ -	\$ -	\$ 355,000	\$ 355,000	\$ 428,560

TOWN OF WELSH, LOUISIANA
CAPITAL PROJECTS FUND

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Years Ended May 31, 1999 and 1998

	<u>Grant</u>	<u>Paving Certificates</u>	<u>Sales Tax 1996</u>	<u>Totals</u>	
				<u>1999</u>	<u>1998</u>
Revenues:					
Grant income	\$ 66,693	\$ -	\$ -	\$ 66,693	\$ 981,814
Interest	<u>-</u>	<u>556</u>	<u>21,869</u>	<u>22,425</u>	<u>19,826</u>
Total revenues	<u>66,693</u>	<u>556</u>	<u>21,869</u>	<u>89,118</u>	<u>1,001,640</u>
Expenditures:					
Construction in progress	446,040	-	-	446,040	1,850,385
Paving/streets	<u>-</u>	<u>-</u>	<u>128,712</u>	<u>128,712</u>	<u>21,294</u>
Total expenditures	<u>446,040</u>	<u>-</u>	<u>128,712</u>	<u>574,752</u>	<u>1,871,679</u>
Excess (deficiency) of revenues over expenditures	<u>(379,347)</u>	<u>556</u>	<u>(106,843)</u>	<u>(485,634)</u>	<u>(870,039)</u>
Other financing sources (uses):					
Operating transfer out	-	-	-	-	(12,976)
Interim loan proceeds	<u>379,347</u>	<u>-</u>	<u>-</u>	<u>379,347</u>	<u>804,668</u>
Total other financing sources (uses)	<u>379,347</u>	<u>-</u>	<u>-</u>	<u>379,347</u>	<u>791,692</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	556	(106,843)	(106,287)	(78,347)
Fund balance at beginning of year, as restated	<u>-</u>	<u>(21,466)</u>	<u>428,515</u>	<u>407,049</u>	<u>485,396</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ (20,910)</u>	<u>\$ 321,672</u>	<u>\$ 300,762</u>	<u>\$ 407,049</u>

ENTERPRISE FUNDS

HOSPITAL AND EXTENDED CARE FACILITY - to account for all services provided for patients and the aged. All activities necessary to provide such services are provided in these funds, including, but not limited to, administration, operations, maintenance, financing, billing and collection.

PUBLIC UTILITY FUND - to account for the provision of electricity, water, and sewer services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

TOWN OF WELSH, LOUISIANA
ENTERPRISE FUNDS

COMBINING BALANCE SHEETS
May 31, 1999

With Comparative Totals for May 31, 1998

<u>ASSETS</u>	<u>Public Utility</u>	<u>Hospital</u>	<u>Extended Care Facility</u>
Current assets:			
Cash and cash equivalents	\$ 247,833	\$ 1,343,711	\$ 580,849
Investments	-	-	-
Receivables:			
Accounts	387,705	299,648	210,704
Estimated uncollectibles and allowances	(40,250)	(243,120)	(35,641)
Unbilled accounts	98,530	-	-
Accrued interest	2,284	-	-
Inventory	86,510	-	-
Prepaid expenses	6,747	-	-
Due from other funds	100,637	-	16,282
Due from other agencies	-	-	-
Total current assets	<u>889,996</u>	<u>1,400,239</u>	<u>772,194</u>
Restricted assets:			
Cash and cash equivalents	21,663	89,994	4,265
Investments	697,288	-	198,933
Total restricted assets	<u>718,951</u>	<u>89,994</u>	<u>203,198</u>
Property, plant and equipment, net	<u>6,185,967</u>	<u>-</u>	<u>-</u>
Other assets:			
Bond issue cost, net	32,777	-	-
Bond refunding costs/escrow	-	-	-
Total other assets	<u>32,777</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 7,827,691</u>	<u>\$ 1,490,233</u>	<u>\$ 975,392</u>

<u>Totals</u>	
<u>1999</u>	<u>1998</u>
\$ 2,172,393	\$ 136,166
-	140,404
898,057	1,008,064
(319,011)	(310,895)
98,530	98,560
2,284	2,599
86,510	147,329
6,747	23,284
116,919	112,198
-	109,058
<u>3,062,429</u>	<u>1,466,767</u>
115,922	27,839
<u>896,221</u>	<u>897,466</u>
<u>1,012,143</u>	<u>925,305</u>
<u>6,185,967</u>	<u>6,177,868</u>
32,777	66,503
-	35,325
<u>32,777</u>	<u>101,828</u>
<u>\$ 10,293,316</u>	<u>\$ 8,671,768</u>

TOWN OF WELSH, LOUISIANA
ENTERPRISE FUNDS

COMBINING BALANCE SHEETS
May 31, 1999
With Comparative Totals for May 31, 1998
(Continued)

<u>LIABILITIES AND FUND EQUITY</u>	<u>Public Utility</u>	<u>Hospital</u>	<u>Extended Care Facility</u>
Current liabilities:			
Current portion of long-term debt	\$ 93,048	\$ -	\$ 12,000
Accounts payable	139,287	44,119	237,369
Accrued liabilities	20,692	-	63,125
Due to other agencies	-	26,183	-
Due to other funds	<u>206,586</u>	<u>116,282</u>	<u>-</u>
Total current liabilities	<u>459,613</u>	<u>186,584</u>	<u>312,494</u>
Other liabilities:			
Long-term debt, net of current portion:			
Revenue bonds payable, certificates of indebtedness payable	2,801,992	-	-
Payable from restricted assets	<u>39,320</u>	<u>-</u>	<u>-</u>
Total other liabilities	<u>2,841,312</u>	<u>-</u>	<u>-</u>
Fund equity:			
Contributed capital	1,616,664	381,860	693,173
Retained earnings:			
Reserved	679,631	89,994	203,198
Unreserved:			
Undesignated	<u>2,230,471</u>	<u>831,795</u>	<u>(233,473)</u>
Total fund equity/retained earnings (deficit)	<u>2,910,102</u>	<u>921,789</u>	<u>(30,275)</u>
Total fund equity	<u>4,526,766</u>	<u>1,303,649</u>	<u>662,898</u>
Total liabilities and fund equity	<u>\$ 7,827,691</u>	<u>\$ 1,490,233</u>	<u>\$ 975,392</u>

<u>Totals</u>	
<u>1999</u>	<u>1998</u>
\$ 105,048	\$ 140,916
420,775	535,816
83,817	79,543
26,183	-
<u>322,868</u>	<u>215,888</u>
<u>958,691</u>	<u>972,163</u>
2,801,992	3,298,505
<u>39,320</u>	<u>40,370</u>
<u>2,841,312</u>	<u>3,338,875</u>
2,691,697	1,429,147
972,823	884,935
<u>2,828,793</u>	<u>2,046,648</u>
<u>3,801,616</u>	<u>2,931,583</u>
<u>6,493,313</u>	<u>4,360,730</u>
<u>\$ 10,293,316</u>	<u>\$ 8,671,768</u>

TOWN OF WELSH, LOUISIANA
ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year Ended May 31, 1999
With Comparative Totals for Year Ended May 31, 1998

	<u>Public Utility</u>	<u>Hospital</u>	<u>Extended Care Facility</u>
Operating revenues:			
Charges for services	\$ 2,589,867	\$ 290,881	\$ 2,540,299
Provision for bad debts	(17,402)	(35,199)	(2,901)
Contractual allowances	-	(109,800)	-
Tap fees	2,750	-	-
Property taxes	-	94,940	-
Grants and contributions	-	2,630	2,500
Miscellaneous	<u>38,745</u>	<u>14,535</u>	<u>4,741</u>
Total operating revenues	<u>2,613,960</u>	<u>257,987</u>	<u>2,544,639</u>
Operating expenses:			
Public utility	1,941,665	-	-
Hospital -	388,785	-	-
Extended care facility	-	-	2,421,572
Depreciation	132,588	19,688	86,475
Amortization	<u>38,869</u>	<u>-</u>	<u>1,355</u>
Total operating expenses	<u>2,113,122</u>	<u>408,473</u>	<u>2,509,402</u>
Operating income (loss)	<u>500,838</u>	<u>(150,486)</u>	<u>35,237</u>
Nonoperating revenues (expenses):			
Interest expense	(124,290)	-	(96,838)
Interest income	<u>39,799</u>	<u>3,321</u>	<u>16,267</u>
Total nonoperating revenues (expenses)	<u>(84,491)</u>	<u>3,321</u>	<u>(80,571)</u>
Income (loss) before operating transfers	<u>416,347</u>	<u>(147,165)</u>	<u>(45,334)</u>
Operating transfers:			
Operating transfers in	-	-	76,386
Operating transfers (out)	<u>(322,000)</u>	<u>(76,386)</u>	<u>-</u>
Total operating transfers	<u>(322,000)</u>	<u>(76,386)</u>	<u>76,386</u>
Net income (loss) before extraordinary item	94,347	(223,551)	31,052
Extraordinary Item:			
Gain on sale of assets	<u>-</u>	<u>750,235</u>	<u>207,341</u>
Net income after extraordinary item	<u>94,347</u>	<u>526,684</u>	<u>238,393</u>
Retained earnings (deficit) at beginning of year	2,805,146	395,105	(268,668)
Depreciation on fixed assets acquired with federal grants	10,609	-	-
Net income (loss), as restated for year ended May 31, 1998	<u>-</u>	<u>-</u>	<u>-</u>
Retained earnings (deficit) at end of year	<u>\$ 2,910,102</u>	<u>\$ 921,789</u>	<u>\$ (30,275)</u>

<u>Totals</u>	
<u>1999</u>	<u>1998</u>
\$ 5,421,047	\$ 6,953,192
(55,502)	(228,146)
(109,800)	(393,980)
2,750	4,098
94,940	78,544
5,130	111,183
<u>58,021</u>	<u>48,138</u>
<u>5,416,586</u>	<u>6,573,029</u>
1,941,665	1,769,581
388,785	1,961,941
2,421,572	2,302,071
238,751	267,378
<u>40,224</u>	<u>41,324</u>
<u>5,030,997</u>	<u>6,342,295</u>
<u>385,589</u>	<u>230,734</u>
(221,128)	(201,700)
<u>59,387</u>	<u>60,273</u>
<u>(161,741)</u>	<u>(141,427)</u>
<u>223,848</u>	<u>89,307</u>
76,386	21,597
<u>(398,386)</u>	<u>(225,000)</u>
<u>(322,000)</u>	<u>(203,403)</u>
(98,152)	(114,096)
<u>957,576</u>	<u>-</u>
<u>859,424</u>	<u>(114,096)</u>
2,931,583	3,109,582
10,609	-
<u>-</u>	<u>(63,903)</u>
<u>\$ 3,801,616</u>	<u>\$ 2,931,583</u>

TOWN OF WELSH, LOUISIANA
ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS
Year Ended May 31, 1999
With Comparative Totals for Year Ended May 31, 1998

	<u>Public Utility</u>	<u>Hospital</u>	<u>Extended Care Facility</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 500,838	\$ (150,486)	\$ 35,237
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	132,588	19,688	86,475
Amortization	38,869	-	1,355
Changes in assets and liabilities:			
(Increase) decrease in receivables and accruals	(84,965)	198,928	4,505
(Increase) decrease in inventories	(8,179)	67,546	1,452
(Increase) decrease in prepaid expenses	(5,526)	8,794	13,269
(Increase) decrease in due from other agencies	-	109,058	-
Increase (decrease) in accounts payable and accruals	(17,050)	(136,215)	42,498
Increase in due to other agencies	-	26,183	-
Increase (decrease) in liabilities payable from restricted assets	<u>(1,050)</u>	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>555,525</u>	<u>143,496</u>	<u>184,791</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
(Increase) decrease in due from other funds	-	11,561	(16,282)
Increase (decrease) in amounts due to other funds	102,259	16,282	(11,561)
Contributed capital	1,273,159	-	-
Operating transfers in	-	-	76,386
Operating transfers out	<u>(322,000)</u>	<u>(76,386)</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>1,053,418</u>	<u>(48,543)</u>	<u>48,543</u>

<u>Totals</u>	
<u>1999</u>	<u>1998</u>
\$ 385,589	\$ 230,734
238,751	267,378
40,224	41,324
118,468	184,582
60,819	17,943
16,537	5,096
109,058	(86,705)
(110,767)	64,045
26,183	-
<u>(1,050)</u>	<u>5,735</u>
<u>883,812</u>	<u>730,132</u>
(4,721)	(27,424)
106,980	26,806
1,273,159	-
76,386	21,597
<u>(398,386)</u>	<u>(225,000)</u>
<u>1,053,418</u>	<u>(204,021)</u>

(continued on next page)

TOWN OF WELSH, LOUISIANA
ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS
Year Ended May 31, 1999
With Comparative Totals for Year Ended May 31, 1998
(Continued)

	<u>Public Utility</u>	<u>Hospital</u>	<u>Extended Care Facility</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from sale of assets	-	1,273,708	2,117,690
Proceeds from long-term borrowings	1,311,291	-	-
Acquisition and construction of fixed assets	(2,651,845)	-	-
Principal paid on bonds	(101,152)	-	(1,742,520)
Interest paid on bonds and capital lease obligations	<u>(124,290)</u>	<u>-</u>	<u>(96,838)</u>
Net cash (used in) capital and related financing activities	<u>(1,565,996)</u>	<u>1,273,708</u>	<u>278,332</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase) redemption of short-term investments	7,594	-	(6,349)
Interest income	<u>39,799</u>	<u>3,321</u>	<u>16,267</u>
Net cash provided by (used in) investing activities	<u>47,393</u>	<u>3,321</u>	<u>9,918</u>
 Net increase in cash and cash equivalents	 90,340	 1,371,982	 521,584
 Cash and cash equivalents:			
Beginning of year	<u>179,156</u>	<u>61,723</u>	<u>63,530</u>
 End of year	 <u>\$ 269,496</u>	 <u>\$ 1,433,705</u>	 <u>\$ 585,114</u>

<u>Totals</u>	
<u>1999</u>	<u>1998</u>
3,391,398	-
1,311,291	-
(2,651,845)	(161,448)
(1,843,672)	(231,596)
<u>(221,128)</u>	<u>(201,700)</u>
<u>(13,956)</u>	<u>(594,744)</u>
1,245	71,564
<u>59,387</u>	<u>60,273</u>
<u>60,632</u>	<u>131,837</u>
1,983,906	63,204
<u>304,409</u>	<u>241,205</u>
<u>\$ 2,288,315</u>	<u>\$ 304,409</u>

TOWN OF WELSH, LOUISIANA
PUBLIC UTILITY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year Ended May 31, 1999
With Comparative Totals for Year Ended May 31, 1998

	1999	1998
Operating revenues:		
Charges for services	\$ 2,589,867	\$ 2,413,889
Provision for bad debts	(17,402)	(8,993)
Tap fees	2,750	4,098
Miscellaneous	38,745	38,890
Total operating revenues	2,613,960	2,447,884
Operating expenses:		
Public utility	1,941,665	1,769,581
Depreciation	132,588	96,145
Amortization	38,869	38,869
Total operating expenses	2,113,122	1,904,595
Operating income	500,838	543,289
Nonoperating revenues (expenses):		
Interest expense	(124,290)	(97,083)
Interest income	39,799	41,545
Total nonoperating revenues (expenses)	(84,491)	(55,538)
Income before operating transfers	416,347	487,751
Operating transfers:		
Operating transfers out	(322,000)	(225,000)
Net income	94,347	262,751
Retained earnings at beginning of year	2,805,146	2,606,298
Depreciation on fixed assets acquired with federal grants	10,609	-
Net (loss) as restated for year ended May 31, 1998	(63,903)	(63,903)
Retained earnings at end of year	\$ 2,910,102	\$ 2,805,146

TOWN OF WELSH, LOUISIANA
HOSPITAL FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year Ended May 31, 1999
With Comparative Totals for Year Ended May 31, 1998

	<u>1999</u>	<u>1998</u>
Operating revenues:		
Charges for services	\$ 290,881	\$ 1,982,677
Provision for bad debts	(35,199)	(198,119)
Contractual allowances	(109,800)	(393,980)
Property taxes	94,940	78,544
Grants and contributions	2,630	111,183
Miscellaneous	<u>14,535</u>	<u>9,248</u>
Total operating revenues	<u>257,987</u>	<u>1,589,553</u>
Operating expenses:		
Hospital	388,785	1,961,941
Depreciation	<u>19,688</u>	<u>83,695</u>
Total operating expenses	<u>408,473</u>	<u>2,045,636</u>
Operating income (loss)	(150,486)	(456,083)
Nonoperating revenues (expenses):		
Interest income	<u>3,321</u>	<u>1,085</u>
Income (loss) before operating transfers	<u>(147,165)</u>	<u>(454,998)</u>
Operating transfers:		
Operating transfers in	-	21,597
Operating transfers (out)	<u>(76,386)</u>	<u>-</u>
Total operating transfers in (out)	<u>(76,386)</u>	<u>21,597</u>
Net (loss) before extraordinary item	(223,551)	(433,401)
Extraordinary item:		
Gain on sale of assets	<u>750,235</u>	<u>-</u>
Net income (loss) after extraordinary item	<u>526,684</u>	<u>(433,401)</u>
Retained earnings at beginning of year	<u>395,105</u>	<u>828,506</u>
Retained earnings at end of year	<u>\$ 921,789</u>	<u>\$ 395,105</u>

TOWN OF WELSH, LOUISIANA
EXTENDED CARE FACILITY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year Ended May 31, 1999
With Comparative Totals for Year Ended May 31, 1998

	<u>1999</u>	<u>1998</u>
Operating revenues:		
Charges for services	\$ 2,540,299	\$ 2,556,626
Provision for bad debts	(2,901)	(21,034)
Grants and contributions	2,500	-
Miscellaneous	<u>4,741</u>	<u>(21,034)</u>
Total operating revenues	<u>2,544,639</u>	<u>2,535,592</u>
Operating expenses:		
Extended care facility	2,421,572	2,302,071
Depreciation	86,475	87,538
Amortization	<u>1,355</u>	<u>2,455</u>
Total operating expenses	<u>2,509,402</u>	<u>2,392,064</u>
Operating income	<u>35,237</u>	<u>143,528</u>
Nonoperating revenues (expenses):		
Interest expense	(96,838)	(104,617)
Interest income	<u>16,267</u>	<u>17,643</u>
Total nonoperating revenues (expenses)	<u>(80,571)</u>	<u>(86,974)</u>
Income (loss) before operating transfers	(45,334)	56,554
Operating transfers:		
Operating transfers in	<u>76,386</u>	<u>-</u>
Net income before extraordinary item	31,052	56,554
Extraordinary item:		
Gain on sale of assets	<u>207,341</u>	<u>-</u>
Net income after extraordinary item	<u>238,393</u>	<u>56,554</u>
Retained earnings (deficit) at beginning of year	<u>(268,668)</u>	<u>(325,222)</u>
Retained earnings (deficit) at end of year	<u>\$ (30,275)</u>	<u>\$ (268,668)</u>

SUPPLEMENTARY INFORMATION

TOWN OF WELSH, LOUISIANA

REQUIRED SUPPLEMENTAL INFORMATION-
YEAR 2000 SUPPLEMENTARY INFORMATION

May 31, 1999

See Independent Auditors' Report

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year ended December 31, 1999.

The Town has recognized the potential for problems that may be presented for certain technological systems on and after January 1, 2000. A strategic plan was developed and implemented to address Year 2000 compliance modifications to technical systems owned and used by the Town. New Year 2000 compliant computer hardware and software systems have been purchased to handle all accounting and office functions. Other areas containing date sensitive chips have also been tested for compliance. The Town is currently in progress, but has not yet completed the installation of updated software for their computer system.

Because of the unprecedented nature of the Year 2000 issue, the effects of the Year 2000 issue and the success of related remediation efforts cannot be absolutely determined until January 1, 2000, and therefore, management has taken every possible action within its control to implement and verify Year 2000 compatibility. No one can anticipate all the possible associated with Year 2000 incompatibilities of the various agencies and vendors with which the Town must, by virtue of their business, have contact, and although the Town has made all remediation efforts within its control, the success of the remediation efforts cannot be verified until such time as full interaction and verification is made as a result of cooperation with the various agencies and vendors in the Year 2000.

TOWN OF WELSH, LOUISIANA

SCHEDULE OF COMPENSATION PAID TO GOVERNING BOARD
Year Ended May 31, 1999

	<u>Salary</u>	<u>Per Diem</u>	<u>Mileage Reimbursement</u>	<u>Total</u>
Mayor:				
Mary Sue P. Lyon	\$ 6,750	\$ 4,700	\$ 1,575	\$ 13,025
Aldermen:				
Alexander Prudhomme, Jr.	2,700	550	-	3,250
Roland Landry	2,600	550	237	3,387
Wendell Richard	2,400	-	-	2,400
Joe Ray Vanicor	2,700	550	228	3,478
Joseph L. Van Ness	<u>2,700</u>	<u>-</u>	<u>-</u>	<u>2,700</u>
	<u>\$ 19,850</u>	<u>\$ 6,350</u>	<u>\$ 2,040</u>	<u>\$ 28,240</u>

TOWN OF WELSH, LOUISIANA
PUBLIC UTILITY ENTERPRISE FUND

SCHEDULE OF NUMBER OF UTILITY CUSTOMERS
May 31, 1999

	<u>Metered</u>	<u>Unmetered</u>
Electricity:		
Industrial	12	-
Commercial	144	-
Residential	1,489	-
Demand	12	-
Water	1,375	2
Sewer	1,240	-

TOWN OF WELSH, LOUISIANA
PUBLIC UTILITY ENTERPRISE FUND

ANALYSIS OF ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT
REQUIRED BY SECTION 15 OF 1988 PUBLIC UTILITY REVENUE BOND
Year Ended May 31, 1999

<u>Description</u>		<u>Amount</u>
Land		\$ -
Electricity:		
Distribution system	\$ -	
Equipment	<u>27,267</u>	27,267
Water:		
Distribution system	-	
Equipment	<u>215,521</u>	215,510
Sewer:		
Distribution system	-	
Equipment	<u>3,939,464</u>	3,939,464
Construction in progress:		
Water	-	
Sewer	<u>4,435</u>	<u>4,435</u>
Total additions		<u>\$ 4,186,676</u>

TOWN OF WELSH, LOUISIANA

SCHEDULE OF INSURANCE POLICIES IN FORCE

May 31, 1999

<u>Insurer</u>	<u>Policy Number</u>	<u>Amount of Policy</u>
OVERSIGHT UNIT-TOWN OF WELSH		
Travelers Property Casualty	M5J-BMG-992K888A-TIL-98	\$ 10,000,000
Coregis' Insurance Company	651-007890	1,000,000
Coregis' Insurance Company	651-007890	3,256,000
Coregis' Insurance Company	651-007890	1,000,000
Coregis' Insurance Company	651-007890	1,000,000
Coregis' Insurance Company	651-007890	25,000
Coregis' Insurance Company	651-007890	100,000
Coregis' Insurance Company	651-007890	15,000
Coregis' Insurance Company	651-007890	10,000
Coregis' Insurance Company	651-007890	2,000,000
Coregis' Insurance Company	651-007890	50,000
Coregis' Insurance Company	POD-002096-1	1,000,000
Bridgefield Casualty Insurance	998-00124	100,000
Bridgefield Casualty Insurance	998-00124	500,000
Bridgefield Casualty Insurance	998-00124	100,000
American Home Assurance Company	AP 3391651-01	500,000
Western Surety Company	N68659117	5,000
Western Surety Company	6.9E+07	25,000
COMPONENT UNIT-HOSPITAL & EXTENDED CARE FACILITY		
Travelers Property Casualty	P-630-520K2787-TIL-98	4,500,000
Travelers Property Casualty	P-630-520K2787-TIL-98	500,000
Travelers Property Casualty	M5J-BMC-541K5824-TIL-98	5,000,000
Louisiana Hospital Association	HPL-550-98	100,000
Louisiana Hospital Association	HPL-550-98	1,000,000
		1,000,000
		1,000,000
		1,000,000
		1,000,000
		50,000
		5,000
		5,000,000
Louisiana Health Care Self Insurance Fund		-

<u>Risk Covered</u>	<u>Policy Expiration Date</u>
Comprehensive equipment coverage	12/9/2001
Auto-liability	10/1/1999
Property coverage	10/1/1999
General liability	10/1/1999
Law enforcement liability	10/1/1999
Accounts receivable	10/1/1999
Contractors' equipment	10/1/1999
Electronic data processing	10/1/1999
Valuable paper	10/1/1999
Employee benefits liability	10/1/1999
Crime coverage	10/1/1999
Public officials and employees liability	10/1/1999
Bodily injury by accident-each accident	1/13/2000
Bodily injury by disease-policy limit	1/13/2000
Bodily injury by disease-each employee	1/13/2000
Airport owners, landlords and tenant liability	1/1/2000
Public employees blanket bond	10/14/2002
Public employees blanket bond	1/5/2000
Building contents	11/5/1999
Building contents	11/29/1999
Boiler and machinery coverage	11/29/1999
- per claim hospital professional liability	
Comprehensive general liability	11/1/1999
- per occurrence personal injury and advertising	
- per occurrence bodily injury	
- per occurrence property damage	
- per claim employee benefits liability	
- per occurrence fire legal liability	
- per patient patients' property	
- per occurrence committee coverage	
	12/31/1999

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
Year Ended May 31, 1999

	<u>CFDA Number</u>	<u>Grant Award</u>	<u>Loan Proceeds/ Grant Revenues</u>	<u>Grant Expenditures</u>
Department of Agriculture: Farmers Home Administration	-	\$ *	\$ -	\$ -
Department of Housing and Urban Development: Community Development Block Grant Funds	14.219	215,000	2) 66,693	66,693
Environmental Protection Agency (LA DEQ): Capitalization Grants for State Revolving Funds	66.458	1,500,000	1) 379,347	379,347

• Loan balance outstanding as of May 31, 1999 \$883,750

1) Loan proceeds

2) Grant revenue

**INDEPENDENT AUDITOR'S REPORTS
ON INTERNAL CONTROL
AND COMPLIANCE**

McELROY, QUIRK & BURCH

A Professional Corporation • Certified Public Accountants • Since 1925
800 Kirby Street • P.O. Box 3070 • Lake Charles, LA 70602-3070
318 433-1063 • Fax 318 436-6618 • E-mail: info@mqb-cpa.com

Carl W. Comeaux, CPA
Barbara Hurson Gonzales, CPA
Judson J. McCann Jr., CPA
Martin L. Chehovsky, CPA, CFE
Robert M. Gani, CPA
Tina L. Demarest, CPA, CVA



Mollie C. Broussard, CPA

Charles P. Quirk, CPA
Otray J. Woods Jr., CPA
Robert E. Cargile, CPA
William A. Mancuso, CPA

Charles L. McElroy, CPA (1917-1997)
Patrick J. Reddin, CPA (1926-1995)
Frank D. Burch, CPA (1921-1991)

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

Honorable Mayor
and Board of Aldermen
Town of Welsh
Welsh, Louisiana

We have audited the financial statements of the Town of Welsh, Louisiana as of and for the year ended May 31, 1999, and have issued our report thereon dated November 22, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Welsh's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 99-4, 99-12 and 99-17.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Welsh's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and

its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of Welsh's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 99-1, 99-2, 99-5, 99-6, 99-7, 99-8, 99-10, 99-11, 99-13, 99-15 and 99-16.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we considered items 99-1, 99-2, 99-5, 99-10 and 99-11 to be a material weaknesses.

We also noted other matters involving the internal control and its operation that we have reported to the Town in our management comments and suggestions letter dated November 22, 1999.

This report is intended for the information of the Board, management, and other state and federal audit agencies. However, this report is a matter of public record and its distribution is not limited.

Mc Elroy, Quil & Burch

Lake Charles, Louisiana
November 22, 1999

McELROY, QUIRK & BURCH

A Professional Corporation • Certified Public Accountants • Since 1925
800 Kirby Street • P.O. Box 3070 • Lake Charles, LA 70602-3070
318 433-1063 • Fax 318 436-6618 • E-mail: info@mqb-cpa.com

Carl W. Comeaux, CPA
Barbara Huson Gonzales, CPA
Jackson J. McCann Jr., CPA
Martin L. Chehovsky, CPA, CFE
Robert M. Gani, CPA
Tina L. Demarest, CPA, CVA

Mollie C. Broussard, CPA



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor
and Board of Aldermen
Town of Welsh
Welsh, Louisiana

Compliance

We have audited the compliance of the Town of Welsh, Louisiana with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended May 31, 1999. The Town of Welsh's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Welsh's management. Our responsibility is to express an opinion on the Town of Welsh's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Welsh's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Welsh's compliance with those requirements.

In our opinion, the Town of Welsh, Louisiana, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended May 31, 1999.

Internal Control Over Compliance

The management of the Town of Welsh is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Welsh's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We also noted other matters involving internal control and its operation that we have reported to the Town in our Management Comments and Suggestions letter dated November 22, 1999.

This report is intended for the information of the Board, management, and other state and federal audit agencies. However, this report is a matter of public record and its distribution is not limited.

McElroy, Quirk & Burch

Lake Charles, Louisiana
November 22, 1999

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 1999

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified
 Internal control over financial reporting:
 Material weakness identified? Yes No
 Reportable condition identified not considered
 to be material weakness? Yes None reported
 Noncompliance material to financial statements
 noted? Yes No

Federal Awards

Internal control over major programs:
 Material weakness identified? Yes No
 Reportable condition identified not considered
 to be material weakness? Yes None reported
 Type of auditor's report issued on compliance
 for major programs: Unqualified
 Any audit findings disclosed that are required
 to be reported in accordance with Circular
 A-133, Section .510(a)? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.219	Department of Housing and Urban Development: Community Development Block Grant Funds
66.458	Environmental Protection Agency (LA DEQ): Capitalization Grants for State Revolving Funds

Dollar threshold used to distinguish
 between Type A and Type B programs: \$ 300,000
 Auditee qualified as low-risk auditee? Yes No

(continued on next page)

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 1999
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

99-1 Bank Reconciliation

Condition: Bank reconciliations for the Town's hospital fund and extended care facility fund were not prepared for the last ten months of the fiscal year.

Criteria: Bank reconciliations should be prepared on a monthly basis to insure that the financial records are complete and fairly stated.

Effect: Because of the failure to prepare bank reconciliations, the Town failed to record several financial transactions resulting in large adjustments to the financial records.

Recommendation: Procedures should be implemented requiring all bank accounts to be reconciled on a monthly basis and reviewed by appropriate Town personnel.

Response: Welsh General Hospital was closed on September 7, 1998 and Welsh Extended Care Facility and Welsh General Hospital were sold on May 31, 1999. Currently there is limited activity in both funds, which will be reconciled on a timely basis in the future.

99-2 Segregation of Duties

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 1999
(Continued)

Response: We concur with this recommendation. However, it is not cost effective to hire additional personnel to insure proper segregation of duties. The Town is in the process of implementing supervision and review procedures.

99-3 Policy and Procedure Manual

Condition: The policy and procedure manual needs to be reviewed and updated.

Criteria: The policy and procedure manual needs to be updated periodically to reflect the Town's current policies and procedures in effect.

Effect: The manual was developed several years ago and may not address the Town's current operations.

Recommendation: Management needs to review the current manual and update it to reflect the Town's current policies and procedures in effect.

Response: The Town has completed the process of updating the policy and procedure manual and is still awaiting a legal opinion on specific matters addressed. Adoption of the revised policy and procedures manual should occur during the fiscal year May 31, 2000.

99-4 Late Issuance of Audit Report

Condition: The Town's audit report was not issued by six month statutory issue date. This was due to the fact that the hospital contracted with an outside third party to prepare the hospital's cost report for Medicare and Medicaid. The third party did not forward the necessary adjustments to complete the audit report until one week before the audit report was due.

Criteria: Louisiana statutes require that the audit report is to be issued within six months after year end.

Effect: This is not in compliance with state law.

Recommendation: All audit reports should be issued in a timely manner.

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 1999
(Continued)

Response: We concur with this recommendation. This should not occur again because the hospital and extended care facility were sold on May 31, 1999, therefore, there will be no delays due to the hospital and extended care facility's accounting personnel or contracted outside third parties.

99-5 Contracted Management Services Failed In Its Performance

Condition: Management services contracted for the period beginning September 15, 1998, by Welsh Extended Care Facility did not fully comply with its duty to administer proper management oversight related to the accounting processes and their related internal control systems.

Criteria: The contracted management service was required in its written contract to administer the Nursing Home's accounting procedures and controls and systems for the development, preparation and safekeeping of records and books of accounting related to the business and financial affairs of the Nursing Home.

Effect: Because the contracted management service did not fully comply with its duty to administer the accounting functions, the nursing home records were not updated, were inaccurate due to incorrect journal entry postings, and in some cases unavailable due to the fact they were discarded or misplaced.

Recommendation: We make no recommendation due to the fact that both Welsh General Hospital and Welsh Extended Care were sold on May 31, 1999.

Response: We concur with the finding.

99-6 Inadequate Controls Over Payroll Time Cards

Condition: It was noted that employees do not sign payroll time cards at the hospital and extended care facility. The time card hours were calculated by supervisors and submitted to the payroll department for processing. The payroll department was not recalculating the time card hours. Additionally, it was noted that not all payroll checks are signed by employees.

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 1999
(Continued)

Criteria: Employees need to sign payroll time cards and the payroll department needs to recalculate time cards before processing.

Effect: Payroll checks could be processed incorrectly or fraudulently which could cause the facilities to overpay or underpay their employees.

Recommendation: We make no recommendation due to the fact that Welsh General Hospital and Welsh Extended Care Facility were sold on May 31, 1999. We recommend that all employees be required to sign their time cards. Additionally, the payroll department should "double check" computed hours on each time card.

Response: We concur with the finding.

99-7 Inadequate Controls Over Cash Receipts

Condition: It was noted at the hospital and extended care facility that some receipts did not indicate whether the collections were in cash or by check.

Criteria: All receipts need to indicate whether collections were in cash or check.

Effect: Due to susceptibility of misappropriation, controls over cash receipts should be strong.

Recommendation: We recommend that all receipts should indicate the nature of the collection on the receipt. Additionally, the components of the deposit, i.e. cash and checks, should be compared to the receipts to insure that cash and checks deposited agree with actual receipts.

Response: We concur with the finding.

99-8 Inadequate Controls Over Petty Cash

Condition: It was noted that cash drawers were not counted or reconciled daily at the hospital and extended care facility.

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 1999
(Continued)

Criteria: Cash drawers need to be counted or reconciled daily.
Effect: Due to the susceptibility of misappropriation, controls over cash receipts should be strong.
Recommendation: We recommend that cash drawers be counted or reconciled daily.
Response: We concur with the finding.

99-9 Excess of Required Reserves

Condition: The sinking fund requirement for the extended care facility has funds in excess of the required reserves.
Criteria: The balance in the sinking fund should not exceed the required reserve amount.
Effect: Improper utilization of the excess funds.
Recommendation: Due to the fact that the extended care facility was sold and all bonds were subsequently paid of, we recommend that these funds are now available.
Response: We concur with the finding.

99-10 Inadequate Cross Training of Accounting Personnel

Condition: It was noted that there was no cross training of accounting personnel at the hospital and extended care facility.
Criteria: Each position should have an individual that is assigned the responsibility of the position and an individual that is trained as a back-up to the position in the event of illness or other absences from work of the primary individual.
Effect: Critical processes or procedures may not be performed, if training is inadequate.
Recommendation: We recommend that there needs to be cross training of accounting personnel at the hospital extended care facility.

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 1999
(Continued)

Response: We concur with the finding.

99-11 Improper Journal Entry Coding

Condition: During the course of our audit of Welsh General Hospital and Welsh Extended Care Facility, we noted several instances of improper journal entry coding.

Criteria: The correct account should be coded when posting journal entries.

Effect: Because of the failure to code journal entries to the proper account, the financial statements were materially overstated before the start of the audit.

Recommendation: We recommend that when posting journal entries, the correct account should be coded.

Response: We concur with the finding.

99-12 Required Payroll Documents Not Filed

Condition: During the course of our audit, we noted the fact the required Form 941 was not filed for every quarter or filed incorrectly. It was also noted that Forms L-2 and L-3 were not properly filed for the 1998 calendar year.

Criteria: Forms 941 and L-2 are required to be filed quarterly and Form L-3 is required to be filed annually.

Effect: This is not in compliance with federal or state law.

Recommendation: Form 941 should be filed for all delinquent quarters and Forms L-2 and L-3 should be filed immediately.

Response: We concur with this recommendation.

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 1999
(Continued)

99-13 Lack of Medicaid Receivable Follow Up With New Owner

Condition: It was noted during the course of our audit that outstanding Medicaid claims for Welsh Extended Care Facility totally \$10,650 were being collected by the new owner after year end and not reimbursed to the Town.

Criteria: The Medicaid claims collected were for dates during Town ownership, therefore, the money belongs to the Town and not the new owner.

Effect: The Town is not receiving money owed to them by the state.

Recommendation: Present this finding along with the Medicaid remittance advices to the new owner and request reimbursement.

Response: We concur with this recommendation.

99-14 Denied Medicare and Medicaid Claims Not Being Resubmitted

Condition: During the course of our audit of both Welsh Extended Care Facility and Welsh General Hospital, it was noted that denied Medicare and Medicaid claims were not being resubmitted to the state for possible reimbursement.

Criteria: All denied Medicare and Medicaid claims should be followed up and resubmitted for reimbursement from the state.

Effect: If denied Medicare and Medicaid claims are not resubmitted, both facilities lose the revenue from those claims and absorb the full cost of the patient and/ or resident.

Recommendation: All denied claims need to be followed up and resubmitted if allowed by the state due to timing issues.

Response: We concur with this recommendation.

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 1999
(Continued)

99-15 Lack of Procedures Regarding Outstanding Accounts Receivables

Condition: During the course of our audit, we noted that there are no procedures in place to follow up on outstanding receivables for the hospital and extended care facility following the sale of both facilities and that a very limited amount has been collected.

Criteria: Procedures should be in place to improve collect ability of the hospital and extended care facility's outstanding receivables.

Effect: This could cause an unnecessary loss of revenue and absorption of costs for both facilities.

Recommendation: We recommend procedures be put in place immediately to follow up on outstanding receivables for both the hospital and extended care facility.

Response: We concur with this recommendation.

99-16 Pay Rates Not Approved By Appropriate Supervisors

Condition: During the course of our audit of Welsh General Hospital and Welsh Extended Care Facility, it was noted that there were several instances where pay rate increases were not approved by the appropriate supervisor.

Criteria: All pay rate increases should be approved by the appropriate supervisor.

Effect: Unauthorized pay rate increases could occur if not approved by an appropriate supervisor.

Recommendation: We recommend that pay rate increases always be approved by the appropriate supervisor.

Response: We concur with the finding.

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 1999
(Continued)

99-17 Hospital Cost Report Submitted Late

Condition: During the course of our audit it was noted that Welsh General Hospital's Medicare cost report was due 90 days after the closing of the facility, but was not issued until fourteen months after the closing of the facility.

Criteria: Medicare cost reports should be submitted in accordance with applicable due date or extended due dates.

Effect: Medicare cost reports were not submitted in compliance with applicable rules and regulations.

Recommendation: We recommend that all Medicare cost reports be submitted timely.

Response: We concur with this recommendation.

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 1999
(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

TOWN OF WELSH, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended May 31, 1999

No matters to report on.

TOWN OF WELSH, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS
Year Ended May 31, 1999

FINDING 98-1: Bank Reconciliations

Condition: It was noted that bank reconciliations and bank statements were not being reviewed by management at the hospital and extended care facility.

Recommendation: The auditor recommended that the bank reconciliations and bank statements be continually reviewed by management on a monthly basis to insure proper oversight regarding the reconciliation process.

Current status: The condition still existed at balance sheet date. The hospital was closed on September 7, 1998 and both Welsh General Hospital and Extended Care Facility were sold on May 31, 1999. Currently there is limited activity in both funds, which can be reconciled at a later date.

FINDING 98-2: Inadequate Segregation of Duties

Condition: This finding was a reportable condition relating to the entity's size and limited number of accounting personnel which made it impossible to achieve effective internal accounting control.

Recommendation: Since increasing staff size would not be cost effective, the auditor recommended that the Town's management mitigate this weakness by its supervision and review procedures.

Current status: We concur with this recommendation. However, it is not cost effective to hire additional personnel to insure proper segregation of duties. The Town is in the process of implementing supervision and review procedures.

FINDING 98-3: Noncurrent Policy and Procedure Manual

Condition: This finding was a reportable condition because the policy and procedure manual had not been updated or reviewed to reflect the Town's current policies and procedures in effect.

Recommendation: The policy and procedure manual needs to be updated periodically to reflect the Town's current policies and procedures in effect.

TOWN OF WELSH, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS
Year Ended May 31, 1999
(Continued)

Current status: The Town has completed the process of updating the policy and procedure manual and is awaiting a legal opinion on specific matters addressed. Adoption of the revised policy and procedures manual should occur during the fiscal year May 31, 2000.

FINDING 98-4: Budget Violations

Condition: This finding was both a reportable condition and an instance of noncompliance. The Town exceeded budgeted expenditures for the police department of the enterprise fund by more than 5%.

Recommendation: The auditor recommended that the Town increase their monitoring efforts to insure that budgeted expenditures not be exceeded.

Current status: The sanitation department exceeded budgeted appropriations again by more than 5%. We concur with this recommendation. Additional review procedures will be implemented to monitor on a monthly basis actual versus budget expenditures to insure that this problem is not repeated.

FINDING 98-5: Required 1099's Not Issued

Condition: Required 1099's are not being issued for all contract labor over \$600 at the Hospital and Extended Care Facility.

Recommendation: The auditor recommended that 1099's should be issued for all contract labor over \$600.

Current status: No similar findings were noted in the fiscal year 1999 audit.

TOWN OF WELSH, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS
Year Ended May 31, 1999
(Continued)

FINDING 98-6: Late Issuance of Audit Report

Condition: The Town's audit report was not issued by six month statutory issue date. This was due to the fact that the hospital and extended care facility were in the process of being sold and some accounting personnel were laid off which caused a delay in the access to the necessary information. Also, the hospital contracted with an outside third party to prepare the hospital's cost report for Medicare and Medicaid. The third party did not receive the necessary information to complete his report until January, 1999. He then forwarded the necessary adjustments to complete the audit report.

Recommendation: All audit reports should be issued in a timely manner.

Current status: The condition still exists. However, this should not occur because the hospital and extended care facility were sold on May 31, 1999, therefore, there will be no delays due to the hospital's contracted outside third parties.