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TOWN OF WELSH, LOUISIANA
ANNUAL FINANCIAL REPORT
MAY 31, 1998

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Release Date FEB 24 1999

TOWN OF WELSH, LOUISIANA

ANNUAL FINANCIAL REPORT
Year Ended May 31, 1998

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TOWN OF WELSH, LOUISIANA

May 31, 1998

MAYOR

The Honorable Mary Sue P. Lyon

BOARD OF ALDERMEN

Roland Landry
Alexander Prudhomme, Jr.
Wendell Richard

Joe Ray Vanicor
Joseph L. "Joe" Van Ness

LEGAL COUNSEL

Richard M. Arceneaux

TOWN CLERK

Shirley Meche

McELROY, QUIRK & BURCH

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

Mollie C. Broussard, CPA



Charles P. Quirk, CPA
Oray 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)

INDEPENDENT AUDITOR'S REPORT

F:\USER\RECT\AUDIT\WELSH TOWN OF.WP4

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, 1999, 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.

Except as discussed in the following paragraph, 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.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures About Year 2000 Issues* requires disclosure of certain matters regarding the year 2000 issue. The Town of Welsh has included such disclosures in Note 22. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the Town of Welsh's disclosures with respect to the year 2000 issue made in Note 22. Further, we do not provide assurance that the Town of Welsh is or will be year 2000 ready, that the Town of Welsh's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Town of Welsh does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, 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, 1998, 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, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, 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, 1998, 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 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 an unqualified opinion on the general purpose, combining and supplemental information for the Town of Welsh, Louisiana.

In accordance with *Governmental Auditing Standards*, we have also issued a report dated November 4, 1998, 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.

McElroy, Quill & Burch

Lake Charles, Louisiana
November 4, 1998

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

TOWN OF WELSH, LOUISIANA

COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS

May 31, 1998

With Comparative Totals for May 31, 1997

<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	\$ 27,167	\$ 3,713	\$ 53,337	\$ 428,560
Investments	290,184	64,036	-	-
Receivables:				
Taxes	2,878	-	33,629	-
Accounts	16,912	-	-	-
Estimated uncollectibles and allowances	-	-	-	-
Unbilled accounts	-	-	-	-
Paving assessments	-	-	-	-
Due from other funds	161,511	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	<u>\$ 498,652</u>	<u>\$ 141,800</u>	<u>\$ 86,966</u>	<u>\$ 428,560</u>

Proprietary Fund Type Enterprise	Account Group		Totals	
	General Fixed Assets	General Long-Term Debt	(Memorandum Only)	
			1998	1997
\$ 136,166	\$ -	\$ -	\$ 648,943	\$ 593,892
140,404	-	-	494,624	409,408
-	-	-	36,507	2,750
1,008,064	-	-	1,024,976	1,114,127
(310,895)	-	-	(310,895)	(201,410)
98,560	-	-	98,560	81,260
-	-	-	-	56,949
112,198	-	-	347,760	320,848
109,058	-	-	109,058	22,353
2,599	-	-	2,599	2,598
147,329	-	-	147,329	165,273
23,284	-	-	23,284	28,380
27,839	-	-	27,839	34,858
897,466	-	-	897,466	1,032,933
6,177,868	4,018,852	-	10,196,720	8,418,031
66,503	-	-	66,503	73,600
35,325	-	-	35,325	70,650
-	-	2,389,544	2,389,544	1,499,000
<u>\$ 8,671,768</u>	<u>\$ 4,018,852</u>	<u>\$ 2,389,544</u>	<u>\$ 16,236,142</u>	<u>\$ 13,725,500</u>

(continued on next page)

TOWN OF WELSH, LOUISIANA

COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS

May 31, 1998

With Comparative Totals for May 31, 1997

(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	\$ -	\$ -	\$ -	\$ 21,466
Current portion of long-term debt	-	-	-	-
Accounts payable	32,703	167	-	45
Accrued liabilities	8,912	-	-	-
Due to other funds	131,801	56	15	-
Deferred paving assessments	-	-	33,629	-
Long-term debt:				
Revenue bonds payable	-	-	-	-
General obligation bonds	-	-	-	-
Paving certificates	-	-	-	-
DEQ interim loan	-	-	-	-
Payable from restricted assets	-	-	-	-
Total liabilities	<u>173,416</u>	<u>223</u>	<u>33,644</u>	<u>21,511</u>
 <u>FUND EQUITY AND OTHER CREDITS</u>				
Contributed capital	-	-	-	-
Investment in general fixed assets	-	-	-	-
Retained earnings:				
Reserved	-	-	-	-
Unreserved:				
Undesignated	-	-	-	-
Fund balance:				
Reserved	-	-	-	407,049
Unreserved:				
Designated	-	-	45,247	-
Undesignated	<u>325,236</u>	<u>141,577</u>	<u>8,075</u>	<u>-</u>
Total retained earnings/ fund balance	<u>325,236</u>	<u>141,577</u>	<u>53,322</u>	<u>407,049</u>
Total fund equity	<u>325,236</u>	<u>141,577</u>	<u>53,322</u>	<u>407,049</u>
Total liabilities and fund equity	<u>\$ 498,652</u>	<u>\$ 141,800</u>	<u>\$ 86,966</u>	<u>\$ 428,560</u>

See accompanying notes to financial statements

Proprietary Fund Type <u>Enterprise</u>	<u>Account Group</u>		<u>Totals</u> <u>(Memorandum Only)</u>	
	<u>General</u> <u>Fixed</u> <u>Assets</u>	<u>General</u> <u>Long-Term</u> <u>Debt</u>	<u>1998</u>	<u>1997</u>
\$ -	\$ -	\$ -	\$ 21,466	\$ 108,010
140,916	-	-	140,916	-
535,816	-	-	568,731	556,485
79,543	-	-	88,455	84,084
215,888	-	-	347,760	320,848
-	-	-	33,629	56,949
3,298,505	-	-	3,298,505	3,621,017
-	-	1,365,000	1,365,000	1,435,000
-	-	57,600	57,600	64,000
-	-	966,944	966,944	-
<u>40,370</u>	<u>-</u>	<u>-</u>	<u>40,370</u>	<u>34,635</u>
<u>4,311,038</u>	<u>-</u>	<u>2,389,544</u>	<u>6,929,376</u>	<u>6,281,028</u>
1,429,147	-	-	1,429,147	1,429,147
-	4,018,852	-	4,018,852	2,135,332
884,935	-	-	884,935	1,033,145
2,046,648	-	-	2,046,648	2,076,437
-	-	-	407,049	421,493
-	-	-	45,247	(75,597)
<u>-</u>	<u>-</u>	<u>-</u>	<u>474,888</u>	<u>424,515</u>
<u>2,931,583</u>	<u>-</u>	<u>-</u>	<u>3,858,767</u>	<u>3,879,993</u>
<u>4,360,730</u>	<u>4,018,852</u>	<u>-</u>	<u>9,306,766</u>	<u>7,444,472</u>
<u>\$ 8,671,768</u>	<u>\$ 4,018,852</u>	<u>\$ 2,389,544</u>	<u>\$ 16,236,142</u>	<u>\$ 13,725,500</u>

TOWN OF WELSH, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
Year Ended May 31, 1998

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Revenues:			
Taxes	\$ 105,085	\$ 541,104	\$ -
Licenses and permits	83,679	-	-
Intergovernmental	58,155	-	-
Charges for services	147,288	-	-
Fines and forfeits	35,640	-	-
Interest income	13,401	5,212	1,069
Video machine commission	23,374	-	-
Jeff Davis Sanitary Landfill	45,439	-	-
Grants	31,224	-	-
Miscellaneous	5,819	128	405
Total revenues	<u>549,104</u>	<u>546,444</u>	<u>1,474</u>
Expenditures:			
Current:			
General government	212,782	5,701	165,480
Police	440,046	-	-
Fire	54,018	-	-
Street	76,418	-	-
Sanitation	91,776	-	-
Recreation	70,753	-	-
Cemeteries	3,604	-	-
Airport	10,741	-	-
Health and welfare	17,442	-	-
Economic development	16,744	-	-
Total expenditures	<u>994,324</u>	<u>5,701</u>	<u>165,480</u>
Excess (deficiency) of revenues over expenditures	<u>(445,220)</u>	<u>540,743</u>	<u>(164,006)</u>
Other financing sources (uses):			
Bond proceeds	-	-	-
Interim loan proceeds	-	-	-
Paving certificates	-	-	23,320
Operating transfers in	503,476	-	271,645
Operating transfers out	-	(537,145)	(21,596)
Total other financing sources (uses)	<u>503,476</u>	<u>(537,145)</u>	<u>273,369</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	58,256	3,598	109,363
Fund balance at beginning of year, as previously reported	266,980	137,979	(56,041)
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>266,980</u>	<u>137,979</u>	<u>(56,041)</u>
Fund balance at end of year	<u>\$ 325,236</u>	<u>\$ 141,577</u>	<u>\$ 53,322</u>

See accompanying notes to financial statements

Capital Project	Totals (Memorandum Only)	
	1998	1997
\$ -	\$ 646,189	\$ 580,079
-	83,679	79,437
-	58,155	43,403
-	147,288	143,728
-	35,640	26,382
19,826	39,508	64,538
-	23,374	23,939
-	45,439	40,713
981,814	1,013,038	156,414
-	6,352	39,472
<u>1,001,640</u>	<u>2,098,662</u>	<u>1,198,105</u>
-	383,963	591,087
-	440,046	366,011
-	54,018	75,295
21,294	97,712	1,347,696
1,850,385	1,942,161	395,872
-	70,753	79,849
-	3,604	4,644
-	10,741	2,652
-	17,442	13,986
-	16,744	13,275
<u>1,871,679</u>	<u>3,037,184</u>	<u>2,890,367</u>
<u>(870,039)</u>	<u>(938,522)</u>	<u>(1,692,262)</u>
-	-	1,500,000
804,668	804,668	162,276
-	23,320	64,000
-	775,121	780,873
<u>(12,976)</u>	<u>(571,717)</u>	<u>(529,873)</u>
<u>791,692</u>	<u>1,031,392</u>	<u>1,977,276</u>
(78,347)	92,870	285,014
421,493	770,411	485,397
<u>63,903</u>	<u>63,903</u>	<u>-</u>
<u>549,299</u>	<u>834,314</u>	<u>485,397</u>
<u>\$ 407,049</u>	<u>\$ 927,184</u>	<u>\$ 770,411</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, 1998

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 84,150	\$ 105,085	\$ 20,935
Licenses and permits	69,500	83,679	14,179
Intergovernmental	35,000	58,155	23,155
Charges for services	132,500	147,288	14,788
Fines and forfeits	12,500	35,640	23,140
Interest income	12,500	13,401	901
Video machine commission	14,000	23,374	9,374
Grants	-	31,224	31,224
Landfill	20,000	45,439	25,439
Miscellaneous	<u>2,500</u>	<u>5,819</u>	<u>3,319</u>
Total revenues	<u>382,650</u>	<u>549,104</u>	<u>166,454</u>
Expenditures:			
Current:			
General government	361,823	212,782	149,041
Police	342,011	440,046	(98,035)
Fire	85,672	54,018	31,654
Street	110,970	76,418	34,552
Sanitation	62,330	91,776	(29,446)
Recreation	84,268	70,753	13,515
Cemeteries	32,000	3,604	28,396
Airport	13,250	10,741	2,509
Health and welfare	14,956	17,442	(2,486)
Economic development	<u>15,385</u>	<u>16,744</u>	<u>(1,359)</u>
Total expenditures	<u>1,122,665</u>	<u>994,324</u>	<u>128,341</u>
Excess (deficiency) of revenues over expenditures	<u>(740,015)</u>	<u>(445,220)</u>	<u>294,795</u>
Other financing sources (uses):			
Operating transfers in	650,000	503,476	(146,524)
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>650,000</u>	<u>503,476</u>	<u>(146,524)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(90,015)	58,256	148,271
Fund balance at beginning of year	<u>101,377</u>	<u>266,980</u>	<u>165,603</u>
Fund balance at end of year	<u>\$ 11,362</u>	<u>\$ 325,236</u>	<u>\$ 313,874</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>
\$ 450,000	\$ 541,104	\$ 91,104	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,725	5,212	487	416	1,069	653
-	-	-	-	-	-
-	-	-	-	-	-
-	128	128	6,400	23,725	17,325
<u>454,725</u>	<u>546,444</u>	<u>91,719</u>	<u>6,816</u>	<u>24,794</u>	<u>17,978</u>
14,994	5,701	9,293	261,312	165,480	95,832
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>14,994</u>	<u>5,701</u>	<u>9,293</u>	<u>261,312</u>	<u>165,480</u>	<u>95,832</u>
<u>439,731</u>	<u>540,743</u>	<u>101,012</u>	<u>(254,496)</u>	<u>(140,686)</u>	<u>113,810</u>
-	-	-	225,000	271,645	46,645
(479,560)	(537,145)	(57,585)	-	(21,596)	(21,596)
<u>(479,560)</u>	<u>(537,145)</u>	<u>(57,585)</u>	<u>225,000</u>	<u>250,049</u>	<u>25,049</u>
(39,829)	3,598	43,427	(29,496)	109,363	138,859
<u>40,667</u>	<u>137,979</u>	<u>97,312</u>	<u>(58,944)</u>	<u>(56,041)</u>	<u>2,903</u>
<u>\$ 838</u>	<u>\$ 141,577</u>	<u>\$ 140,739</u>	<u>\$ (88,440)</u>	<u>\$ 53,322</u>	<u>\$ 141,762</u>

TOWN OF WELSH, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
 RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
 Years Ended May 31, 1998 and 1997

	<u>Enterprise Funds</u>	
	<u>1998</u>	<u>1997</u>
Operating revenues:		
Charges for services	\$ 6,953,192	\$ 6,914,562
Provision for bad debts	(228,146)	(134,130)
Contractual allowances	(393,980)	(289,778)
Property taxes	78,544	87,696
Grants and contributions	111,183	6,985
Miscellaneous	<u>52,236</u>	<u>71,811</u>
Total operating revenues	<u>6,573,029</u>	<u>6,657,146</u>
Operating expenses:		
Public utility	1,769,581	1,750,473
Hospital	1,961,941	1,989,591
Extended care facility	2,302,071	2,206,714
Depreciation	267,378	285,607
Amortization	<u>41,324</u>	<u>40,224</u>
Total operating expenses	<u>6,342,295</u>	<u>6,272,609</u>
Operating income	<u>230,734</u>	<u>384,537</u>
Nonoperating revenues (expenses):		
Interest expense	(201,700)	(191,562)
Interest income	<u>60,273</u>	<u>61,570</u>
Total nonoperating revenues (expenses)	<u>(141,427)</u>	<u>(129,992)</u>
Income before operating transfers	<u>89,307</u>	<u>254,545</u>
Operating transfers:		
Operating transfers in	21,597	-
Operating transfers (out)	<u>(225,000)</u>	<u>(251,000)</u>
Total operating transfers	<u>(203,403)</u>	<u>(251,000)</u>
Net income	(114,096)	3,545
Retained earnings at beginning of year	3,109,582	3,106,037
Net income (loss) as restated for year ended May 31, 1997	<u>(63,903)</u>	<u>-</u>
Retained earnings at end of year	<u>\$ 2,931,583</u>	<u>\$ 3,109,582</u>

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA
 COMBINED STATEMENTS OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 Years Ended May 31, 1998 and 1997

	Enterprise Funds	
	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 230,734	\$ 384,537
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	267,378	285,607
Amortization	41,324	40,224
Net change in assets and liabilities:		
Decrease in receivables and accruals	184,582	26,592
(Increase) decrease in inventories	17,943	(2,650)
(Increase) decrease in prepaid expenses	5,096	(1,065)
(Increase) in due from other agencies	(86,705)	-
Increase (decrease) in accounts payable and accruals	64,045	(111,833)
(Decrease) in amounts due to other agencies	-	(81,667)
Increase (decrease) in liabilities payable from restricted assets	<u>5,735</u>	<u>(2,860)</u>
Net cash provided by operating activities	<u>730,132</u>	<u>536,885</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
(Increase) in due from other funds	(27,424)	(102,090)
Increase in amounts due to other funds	26,806	46,562
Contributed capital	-	(164)
Operating transfers in	21,597	-
Operating transfers (out)	<u>(225,000)</u>	<u>(251,000)</u>
Net cash (used in) noncapital financing activities	<u>(204,021)</u>	<u>(306,692)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of fixed assets	(161,448)	(26,074)
Principal paid on bonds	(231,596)	(123,439)
Interest paid on bonds and capital lease obligations	<u>(201,700)</u>	<u>(191,562)</u>
Net cash (used in) capital and related financing activities	<u>(594,744)</u>	<u>(341,075)</u>

(continued on next page)

TOWN OF WELSH, LOUISIANA

COMBINED STATEMENTS OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 Years Ended May 31, 1998 and 1997
 (Continued)

	<u>Enterprise Funds</u>	
	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of short-term investments	71,564	67,915
Interest income	<u>60,273</u>	<u>61,570</u>
Net cash provided by investing activities	<u>131,837</u>	<u>129,485</u>
Net increase in cash and cash equivalents	63,204	18,603
Cash and cash equivalents:		
Beginning of year	<u>241,205</u>	<u>222,602</u>
End of year	<u>\$ 304,409</u>	<u>\$ 241,205</u>
Cash and cash equivalents at end of year consist of:		
Restricted cash	\$ 27,839	\$ 34,858
Unrestricted cash	<u>276,570</u>	<u>206,347</u>
Total	<u>\$ 304,409</u>	<u>\$ 241,205</u>

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
May 31, 1998

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.

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, 1998. 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, 1998:

	<u>Reserved</u>
Enterprise funds:	
Reserved for public utility revenue bond debt service (sinking and reserve fund)	\$ 289,720
Reserved for hospital maintenance	507
Reserved for public utility construction in progress, contingencies, capital additions	527,556
Reserved for certificates of indebtedness- sinking fund	<u>67,152</u>
	<u>\$ 884,935</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 17.12 for the year ending May 31, 1998 was composed of the following:

<u>Description</u>	<u>Millage</u>	<u>Collected</u>
General property tax	7.12	\$ 65,718
Hospital maintenance tax	10.00	78,544

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, 1998 classified to give an indication of the level of risk assumed by the Town are as follows:

	<u>Cash and Demand Deposits</u>	<u>Certificates of Deposit</u>
May 31, 1998		
Carrying amount	<u>\$ 655,316</u>	<u>\$ 1,392,090</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	555,316	1,292,090
3. Uncollateralized, including any securities held for the entity but not in the entity's name	<u>-</u>	<u>-</u>
Total bank balances	<u>\$ 655,316</u>	<u>\$ 1,392,090</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, 1998.

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 (1998 collections \$248,580; 1997 \$242,937) 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 (1998 collections \$428,560; 1997 \$242,937) 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, 1998:

Public utility:

Customer deposits	\$ 11,440
Sewer and water system construction in progress	448,948
Revenue bond sinking fund, 1988 series	112,973
Revenue bond reserve fund, 1988 series	122,863
Revenue bond sinking fund, 1994 series	8,682
Revenue bond reserve fund, 1994 series	<u>22,787</u>
	<u>727,693</u>

Hospital:

Hospital repairs and operations-property tax monies	<u>507</u>
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Extended Care Facility:

Retirement of revenue bonds-certificates of indebtedness, FMHA bonds	51,344
Repair and replacement reserve for \$395,000 revenue bonds dated September 1, 1971	78,608
Reserve, contingency fund-certificates of indebtedness, FMHA bonds	<u>67,153</u>
	<u>197,105</u>

Total-all proprietary fund types	<u>\$ 925,305</u>
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Note 5. Fixed Assets

A summary of proprietary fund type property, plant and equipment at May 31, 1998 follows:

	<u>Utility</u>	<u>Hospital</u>	<u>Facility</u>	<u>Total</u>
Land	\$ 128,204	\$ 14,414	\$ -	\$ 142,618
Land improvements	-	46,073	71,125	117,198
Buildings and building components	-	580,474	2,374,021	2,954,495
Electric system	1,822,058	-	-	1,822,058
Water system	1,566,559	-	-	1,566,559
Sewer system	1,252,605	-	-	1,252,605
Equipment	-	1,260,148	359,402	1,619,550
Vehicles	-	-	30,810	30,810
Construction in progress	<u>1,522,417</u>	<u>-</u>	<u>-</u>	<u>1,522,417</u>
	6,291,843	1,901,109	2,835,358	11,028,310
Less accumulated depreciation	<u>2,625,133</u>	<u>1,357,948</u>	<u>867,361</u>	<u>4,850,442</u>
	<u>\$ 3,666,710</u>	<u>\$ 543,161</u>	<u>\$ 1,967,997</u>	<u>\$ 6,177,868</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, 1998:

	<u>Public Utility</u>	<u>Extended Care Facility</u>	<u>Total</u>
Cost	\$ 70,875	\$ 51,395	\$ 122,270
Less accumulated amortization	<u>34,554</u>	<u>21,213</u>	<u>55,767</u>
	<u>\$ 36,321</u>	<u>\$ 30,182</u>	<u>\$ 66,503</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	\$ 40,370
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Note 8. Changes in General Fixed Asset Group

A summary of changes in general fixed assets follows:

	<u>Balance 5/31/97</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 5/31/98</u>
Buildings	\$ 372,641	\$ -	\$ -	\$ 372,641
Equipment and furniture	324,401	25,162	792	348,771
Improvements other than buildings	301,697	843	-	302,540
Land	72,599	-	-	72,599
Vehicles	740,968	7,922	-	748,890
Construction in progress-LCDBG	<u>323,026</u>	<u>1,850,385</u>	<u>-</u>	<u>2,173,411</u>
	<u>\$ 2,135,332</u>	<u>\$ 1,884,312</u>	<u>\$ 792</u>	<u>\$ 4,018,852</u>

Note 9. Long-Term Debt

The following is a summary of bonds payable of the Town for the year ended May 31, 1998:

	Balance <u>5/31/97</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>5/31/98</u>
Enterprise:				
Revenue bonds	<u>\$ 3,621,017</u>	<u>\$ -</u>	<u>\$ 181,596</u>	<u>\$ 3,439,421</u>
General long-term debt group	<u>\$ 1,661,276</u>	<u>\$ 804,668</u>	<u>\$ 76,400</u>	<u>\$ 2,389,544</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%	\$ 231,000
\$1,500,000, 1988 Series Public Utility Revenue Bonds, maturing serially on September 1, of each year until final retirement on September 1, 2008, at interest rate varying from 7.85% to 8.6%	65,000
\$1,567,000 FMHA loan, interest rate 4.892%, permanent financing approved by FMHA	1,468,520
\$330,000 Hospital Certificate of Indebtedness, Series 1992, interest rate varies from 5.0-6.4%, interest payments made in December and June each year, principal payments due on June 1 each year, bonds mature on June 1, 1999	55,000
\$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	919,901
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%	<u>700,000</u>
Total Enterprise Fund Debt	<u>\$ 3,439,421</u>

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 1,365,000

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 57,600

DEQ interim loan - subsequent to year end became
 a bond during fiscal year ended May 31, 1999 966,944

Total General Long-Term Debt Group \$ 2,389,544

The annual requirements to amortize all bonded debts outstanding as of May 31, 1998 follows:

Enterprise Fund Bonds:

Year Ending May 31.	Revenue Bond - Dated 1971		
	Principal	Interest	Total
1999	\$ 12,000	\$ 12,094	\$ 24,094
2000-2002	39,000	32,276	71,276
2003-2007	80,000	38,162	118,162
2008-2012	<u>100,000</u>	<u>13,975</u>	<u>113,975</u>
	<u>\$ 231,000</u>	<u>\$ 96,507</u>	<u>\$ 327,507</u>

Year Ending May 31.	Utility Revenue Bonds - Series 1988		
	Principal	Interest	Total
1999	<u>\$ 65,000</u>	<u>\$ 5,330</u>	<u>\$ 70,330</u>

Year Ending May 31.	FMHA Hospital Revenue Bond, Series A		
	Principal	Interest	Total
1999	\$ 27,765	\$ 82,050	\$ 109,815
2000-2023	<u>1,440,755</u>	<u>1,185,663</u>	<u>2,626,418</u>
	<u>\$ 1,468,520</u>	<u>\$ 1,267,713</u>	<u>\$ 2,736,233</u>

Year Ending May 31,	Hospital Certificate of Indebtedness Series 1992		
	Principal	Interest	Total
1999	\$ 55,000	\$ 3,520	\$ 58,520

Year Ending May 31,	FMHA Water Revenue Bonds		
	Principal	Interest	Total
1999	\$ 36,151	\$ 46,409	\$ 82,560
2000	38,048	44,512	82,560
2001	40,045	42,515	82,560
2002-2014	805,657	267,623	1,073,280
	<u>\$ 919,901</u>	<u>\$ 401,059</u>	<u>\$ 1,320,960</u>

Year Ending May 31,	Utility Revenue Bonds - Series 1995		
	Principal	Interest	Total
1999	\$ -	\$ 40,250	\$ 40,250
2000	50,000	38,812	88,812
2001	55,000	35,794	90,794
2002	60,000	32,488	92,488
2003-thereafter	535,000	115,143	650,143
	<u>\$ 700,000</u>	<u>\$ 262,487</u>	<u>\$ 962,487</u>

General Long-Term Debt Group:

Year Ending May 31,	Public Improvement Bonds-ST-1996		
	Principal	Interest	Total
1999	\$ 75,000	\$ 78,960	\$ 153,960
2000	80,000	72,960	152,960
2001	80,000	66,560	146,560
2002	85,000	60,160	145,160
2003-2011	1,045,000	305,765	1,350,765
	<u>\$ 1,365,000</u>	<u>\$ 584,405</u>	<u>\$ 1,949,405</u>

Year Ending May 31,	Paving Certificates - 1998		
	Principal	Interest	Total
1999	\$ 6,400	\$ 3,168	\$ 9,568
2000	6,400	2,816	9,216
2001	6,400	2,464	8,864
2002	6,400	2,112	8,512
2003-thereafter	32,000	5,280	37,280
	<u>\$ 57,600</u>	<u>\$ 15,840</u>	<u>\$ 73,440</u>

Year Ending <u>May 31,</u>	<u>DEQ Interim Loan</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	<u>\$ 966,944</u>	<u>\$ -</u>	<u>\$ 966,944</u>

As explained in Note 10.

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, 1998, 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, 1998, the Town is in substantial compliance with these requirements, as well as numerous other limitations and restrictions contained in this indenture.

Note 10. DEQ Interim Loan

DEQ interim loan is shown as maturing in fiscal year ending May 31, 1999 because it was converted to a bond during that period.

Note 11. Deficit Fund Balance or Retained Earnings

As of May 31, 1998, the Extended Care Facility Enterprise Fund had a deficit in retained earnings of \$(268,668). This deficit is being funded primarily by the Public Utility Enterprise Fund. Additionally, there was a deficit of \$(21,466) 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, 1998 were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 161,511	\$ 131,801
Special Revenue Fund	74,051	56
Debt Service Fund	-	15
Enterprise Funds:		
Public utility	100,637	104,327
Hospital	11,561	100,000
Extended Care Facility	<u>-</u>	<u>11,561</u>
	<u>\$ 347,760</u>	<u>\$ 347,760</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, 1998 was as follows:

	<u>Public Utility</u>	<u>Hospital</u>	<u>Extended Care Facility</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$ 2,447,884	\$ 1,589,553	\$ 2,535,592	\$ 6,573,029
Depreciation and amortization	135,014	83,695	89,993	308,702
Operating income	543,289	(456,083)	143,528	230,734
Operating grants, entitlements, and shared revenues	-	-	-	-

	<u>Public Utility</u>	<u>Hospital</u>	<u>Extended Care Facility</u>	<u>Total Enterprise Funds</u>
Operating transfers:				
In	-	21,597	-	21,597
Out	225,000	-	-	225,000
Net income (loss)	262,751	(433,401)	56,554	(114,096)
Interest costs:				
Total incurred	97,083	-	104,617	201,700
Net working capital	317,331	233,297	(56,024)	494,604
Total assets	5,165,887	1,057,299	2,448,582	8,671,768
Bonds and other long-term liabilities:				
Payable from operating revenues	1,583,750	-	1,714,755	3,298,505
Total equity	3,159,260	776,965	424,505	4,360,730

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, 1997 (the latest available audited financial statements) were as follows:

	<u>Total</u>	<u>Welsh (11.8129%)</u>
Total assets	\$ 3,600,567	\$ 425,331
Total liabilities	16,613	1,962
Total equity	3,583,954	423,369
Total liabilities and equity	3,600,567	425,331
Total revenues	767,796	90,699
Total expenditures	656,039	77,497
Net increase in fund balance	111,757	13,202

As of December 31, 1997, 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 \$250,000 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 \$45,439 and \$40,713, respectively, which is recorded as "Jeff Davis Sanitary Landfill" in the General Fund in the fiscal years ended May 31, 1998 and 1997.

Note 17. Employee Retirement Systems

The Town contributes to two state retirement systems for the benefit of its employees as follows:

Municipal Employee's Retirement System Plan B:

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on permanent basis working at least thirty-five hours per week, not participating in another public funded retirement system and under age sixty (60) at date of employment. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the system. This system was established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. This plan is a cost-sharing multiple-employer plan. The system also provides death and disability benefits. These benefits are established by state statutes. The Town's payroll covered by the system for the year ended May 31, 1998 was \$501,350; the Town's total payroll for the year ended May 31, 1998 was \$625,005.

A member of the system qualifies for retirement providing he meets one of the following criteria:

1. Age 55 with thirty (30) years of creditable service
2. Age 60 with a minimum of ten (10) or more years of creditable service.
3. Under age 60 with ten (10) years of creditable service eligible for disability benefits.
4. Survivor's benefits require twenty (20) years creditable service at death of member.

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the member's final compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Covered employees are required by state statute to contribute 5% of their salary to the plan. Employer contributions are established by statute at 3.25% of employee's salary. The contribution requirement per statutes for the Town's year ended May 31, 1998 was \$26,971, which consisted of \$16,346 paid by employees and \$10,625 paid by the Town (8.25% of covered payroll).

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the system's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among other systems. The system does not make separate measurements of assets and pension benefit obligations for individual employers. The pension benefit obligation at June 30, 1997 (latest available report) for the system as a whole, determined through an actuarial valuation performed as of that date, was \$76,546,238. The total net assets of Plan "B" available for benefits at June 30, 1997 was \$76,245,708. The Town's contribution represented less than .18% of total contributions (as compared to the system's June 30, 1997 report) required of all participating entities.

Ten year historical trend information showing the system's progress in accumulating sufficient assets to pay benefits when due is presented in the system's June 30, 1997 annual financial statements.

Municipal and State Police Retirement System:

Membership is mandatory for any full time police officer, employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing they do not have to pay social security and providing they meet the statutory criteria. This system was established by Act 189 of 1973 and amended by LRS 33:2371. This plan is a cost-sharing multiple-employer plan. The system also provides death and disability benefits. These benefits are established by state statutes. The Town's payroll covered by the system for the year ended May 31, 1998 was \$-0-; the Town's total police department payroll for the year ended May 31, 1998 was \$197,995.

Any member is eligible for normal retirement after being a member of the system for one year, if they have 20 years of creditable service and are age 50 or have 12 years of creditable service and are age 55. Benefit rates are three and one-third percent of final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service is interrupted) per number of years creditable service not to exceed 100%.

Covered employees are required by state statute to contribute 8% of earnable compensation. Employer contributions are established by statute at 9% of employee's earnable compensation excluding overtime but including state supplemental pay. The contribution requirement per statutes for the Town's year ended May 31, 1998 was \$-0-, which consisted of \$-0- paid by employees and \$-0- paid by the Town (9% of covered payroll).

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the affects of projected salary increases and any step-rate benefits estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the system's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among other systems. The system does not make separate measurements of assets and pension benefit obligations for individual employers. The pension benefit obligation at June 30, 1997 (latest available report) for the system as a whole, determined through an actuarial valuation performed as of that date, was \$930,382,205. The system's net assets available for benefits on that date (value at amortized cost) were \$929,844,233. The Town's contribution represented less than .05% of total contributions (as compared to the system's June 30, 1997 report) required of all participating entities.

Ten year historical trend information showing the system's progress in accumulating sufficient assets to pay benefits when due is presented in the system's June 30, 1997 annual financial statements.

Note 18. Contributed Capital

The following is a schedule of changes in contributed capital for the year ended May 31, 1998:

	<u>Enterprise Fund</u>		Extended	
	<u>Public</u>		Care	
	<u>Utility</u>	<u>Hospital</u>	<u>Facility</u>	<u>Total</u>
Balance, June 1, 1997	\$ 354,114	\$ 264,530	\$ 810,503	\$ 1,429,147
Transfers	-	-	-	-
Other	-	117,330	(117,330)	-
Balance, May 31, 1998	<u>\$ 354,114</u>	<u>\$ 381,860</u>	<u>\$ 693,173</u>	<u>\$ 1,429,147</u>

Note 19. Excess of Expenditures Over Appropriations

Expenditures and other financing uses for the current year exceeded appropriations for the following funds or departments by 5% or more:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>(Unfavorable)</u>
General Fund:			
Police Department	\$ 342,011	\$ 440,046	\$ (98,035)
Sanitation Department	62,330	91,776	(29,446)
Health and Welfare Department	14,956	17,442	(2,486)
Economic Development Department	15,385	16,744	(1,359)

Note 20. Subsequent Event

On September 7, 1998, Welsh General Hospital was closed. On November 3, 1998, a vote to sell Welsh General Hospital and Extended Care Facility passed. The Town has negotiated with a third party for the sale of the fixed assets of these entities. The sale has been extended to March 31, 1999. Proceeds from the sale are estimated to be approximately 3.4 million dollars. The Town is required to pay off the debt for both the hospital and extended care facility from these proceeds.

Note 21. 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.

Note 22. Year 2000 Compliance (Unaudited)

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect operations in the year 1999 and beyond. As of the year ended May 31, 1998, the Town of Welsh is in the awareness stage, establishing a budget and projecting a plan for dealing with the year 2000 issue. The stages that need to be completed are the assessment stage, remediation stage and validation/testing stage.

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, 1998
With Comparative Totals for May 31, 1997

<u>ASSETS</u>	<u>Sales Tax</u>	<u>Federal Revenue Sharing</u>	<u>Local Government Assistance</u>
Cash	\$ 3,615	\$ 98	\$ -
Investments, at cost	6,001	10,331	47,704
Due from other funds	<u>68,992</u>	<u>-</u>	<u>5,059</u>
Total assets	<u>\$ 78,608</u>	<u>\$ 10,429</u>	<u>\$ 52,763</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 167	\$ -	\$ -
Due to other funds	<u>-</u>	<u>56</u>	<u>-</u>
Total liabilities	167	56	-
 Fund balances:			
Unreserved:			
Undesignated	<u>78,441</u>	<u>10,373</u>	<u>52,763</u>
Total liabilities and fund balances	<u>\$ 78,608</u>	<u>\$ 10,429</u>	<u>\$ 52,763</u>

Sales Tax 1997	Totals	
	1998	1997
\$ -	\$ 3,713	\$ 3,398
-	64,036	60,754
-	<u>74,051</u>	<u>74,050</u>
<u>\$ -</u>	<u>\$ 141,800</u>	<u>\$ 138,202</u>

\$ -	\$ 167	\$ 167
-	56	56
-	<u>223</u>	<u>223</u>

-	<u>141,577</u>	<u>137,979</u>
<u>\$ -</u>	<u>\$ 141,800</u>	<u>\$ 138,202</u>

TOWN OF WELSH, LOUISIANA
SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended May 31, 1998
With Comparative Totals for Year Ended May 31, 1997

	<u>Sales Tax</u>	<u>Federal Revenue Sharing</u>	<u>Local Government Assistance</u>
Revenues:			
Taxes	\$ 270,552	\$ -	\$ -
Interest income	1,269	532	2,446
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	271,821	532	2,446
Expenditures:			
General government	<u>5,701</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	266,120	532	2,446
Other financing sources (uses):			
Operating transfers out	<u>(265,500)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other uses	620	532	2,446
Fund balances at beginning of year	<u>77,821</u>	<u>9,841</u>	<u>50,317</u>
Fund balances at end of year	<u>\$ 78,441</u>	<u>\$ 10,373</u>	<u>\$ 52,763</u>

Sales Tax <u>1997</u>	<u>Totals</u>	
	<u>1998</u>	<u>1997</u>
\$ 270,552	\$ 541,104	\$ 485,874
965	5,212	5,855
<u>128</u>	<u>128</u>	<u>726</u>
271,645	546,444	492,455
<u>-</u>	<u>5,701</u>	<u>5,120</u>
271,645	540,743	487,335
<u>(271,645)</u>	<u>(537,145)</u>	<u>(529,873)</u>
-	3,598	(42,538)
<u>-</u>	<u>137,979</u>	<u>180,517</u>
<u>\$ -</u>	<u>\$ 141,577</u>	<u>\$ 137,979</u>

DEBT SERVICE FUNDS

1959 HOSPITAL SERIAL BOND FUND - to accumulate monies for the payment of the 1959 \$209,000 3.3 percent Hospital Serial Bonds. These bonds, which were being serviced by ad valorem taxes, were paid off on April 1, 1984.

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, 1998

With Comparative Totals for May 31, 1997

<u>ASSETS</u>	1959 Hospital Serial Bond	Paving Certificates	1996 ST-1996 Street Drainage Bonds	<u>Totals</u>	
				1998	1997
Cash	\$ -	\$ 45,125	\$ 8,075	\$ 53,200	\$ 31,305
Cash - sinking	-	137	-	137	137
Investments, at cost	-	-	-	-	20,527
Assessments receivable	-	33,629	-	33,629	56,949
 Total assets	 <u>\$ -</u>	 <u>\$ 78,891</u>	 <u>\$ 8,075</u>	 <u>\$ 86,966</u>	 <u>\$ 108,918</u>
 <u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Cash - overdraft	\$ -	\$ -	\$ -	\$ -	\$ 108,010
Due to other fund	-	15	-	15	-
Deferred paving assessments	-	33,629	-	33,629	56,949
Total liabilities	-	33,644	-	33,644	164,959
 Fund balances:					
Reserved:					
Paving ST-1996	-	45,247	-	45,247	31,442
Unreserved:					
Undesignated	-	-	8,075	8,075	(87,483)
Total fund balances	-	45,247	8,075	53,322	(56,041)
 Total liabilities and fund balances	 <u>\$ -</u>	 <u>\$ 78,891</u>	 <u>\$ 8,075</u>	 <u>\$ 86,966</u>	 <u>\$ 108,918</u>

TOWN OF WELSH, LOUISIANA
DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended May 31, 1998
With Comparative Actual Amounts for Year Ended May 31, 1997

	1959 Hospital Serial Bond	Paving Certificates	1996 ST-1996 Street Drainage Bonds	Totals	
				1998	1997
Revenues:					
Assessments	\$ -	\$ 23,320	\$ -	\$ 23,320	\$ 30,843
Interest income	1,069	-	-	1,069	1,570
Miscellaneous	-	405	-	405	-
Total revenues	1,069	23,725	-	24,794	32,413
Expenditures:					
Bond principal	-	6,400	70,000	76,400	65,000
Bond interest	-	3,520	84,560	88,080	89,760
Bond sale expenses	-	-	1,000	1,000	197,623
Total expenditures	-	9,920	155,560	165,480	352,383
Excess (deficiency) of revenues over expenditures	1,069	13,805	(155,560)	(140,686)	(319,970)
Other financing sources (uses):					
Operating transfer in	-	-	271,645	271,645	244,373
Operating transfer out	(21,596)	-	-	(21,596)	-
Total other financing sources (uses)	(21,596)	-	271,645	250,049	244,373
Excess of revenues and other sources over expenditures and other uses	(20,527)	13,805	116,085	109,363	(75,597)
Fund balances at beginning of year	20,527	31,442	(108,010)	(56,041)	19,556
Fund balances at end of year	\$ -	\$ 45,247	\$ 8,075	\$ 53,322	\$ (56,041)

CAPITAL PROJECTS FUND

LCDBG GRANT - to account for funds received and expenditures made in connection with the LCDBG Grant Program for the sewer project.

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, 1998 and 1997

<u>ASSETS</u>	<u>Grant</u>	<u>Paving Certificates</u>	<u>Sales Tax 1997</u>	<u>Totals</u>	
				<u>1998</u>	<u>1997</u>
Cash	\$ -	\$ -	\$ 428,560	\$ 428,560	\$ 485,396
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 45	\$ 45	\$ -
Cash overdraft	-	21,466	-	21,466	-
Total					
liabilities	-	21,466	45	21,511	-
Fund balance	-	(21,466)	428,515	407,049	485,396
Total					
liabilities					
and fund					
balance	\$ -	\$ -	\$ 428,560	\$ 428,560	\$ 485,396

TOWN OF WELSH, LOUISIANA
CAPITAL PROJECTS FUND

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Years Ended May 31, 1998 and 1997

	Grant	Paving Certificates	Sales Tax 1997	Totals	
				1998	1997
Revenues:					
Grant income	\$ 981,814	\$ -	\$ -	\$ 981,814	\$ 120,900
Proceeds:					
Paving certificates	-	-	-	-	64,000
Bonds	-	-	-	-	1,500,000
Interest	-	504	19,322	19,826	42,518
Total revenues	981,814	504	19,322	1,001,640	1,727,418
Expenditures:					
Construction in progress	1,850,385	-	-	1,850,385	283,176
Paving/streets	-	-	21,294	21,294	1,191,757
Total expenditures	1,850,385	-	21,294	1,871,679	1,474,933
Excess (deficiency) of revenues over expenditures					
	(868,571)	504	(1,972)	(870,039)	252,485
Other financing sources (uses):					
Operating transfer out	-	-	(12,976)	(12,976)	-
Interim loan proceeds	804,668	-	-	804,668	162,276
Total other financing sources (uses)	804,668	-	(12,976)	791,692	162,276
Excess (deficiency) of revenues and other sources over expenditures and other uses					
	(63,903)	504	(14,948)	(78,347)	414,761
Fund balance at beginning of year, as previously reported					
	-	(21,970)	443,463	485,396	6,732
Add adjustment for the cumulative effect on prior years of correcting an error as explained in Note 20					
	-	-	-	-	63,903
Fund balance at beginning of year, as restated					
	-	(21,970)	443,463	485,396	70,635
Fund balance at end of year					
	\$ -	\$ (21,466)	\$ 428,515	\$ 407,049	\$ 485,396

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, 1998
With Comparative Totals for May 31, 1997

<u>ASSETS</u>	<u>Public Utility</u>	<u>Hospital</u>	<u>Extended Care Facility</u>
Current assets:			
Cash and cash equivalents	\$ 24,892	\$ 55,356	\$ 55,918
Investments	131,453	5,860	3,091
Receivables:			
Accounts	288,260	504,595	215,209
Estimated uncollectibles and allowances	(25,800)	(249,454)	(35,641)
Unbilled accounts	98,560	-	-
Accrued interest	2,284	315	-
Inventory	78,331	67,546	1,452
Prepaid expenses	1,221	8,794	13,269
Due from other funds	100,637	11,561	-
Due from other agencies	-	109,058	-
Total current assets	<u>699,838</u>	<u>513,631</u>	<u>253,298</u>
Restricted assets:			
Cash and cash equivalents	22,811	507	4,521
Investments	704,882	-	192,584
Total restricted assets	<u>727,693</u>	<u>507</u>	<u>197,105</u>
Property, plant and equipment, net	<u>3,666,710</u>	<u>543,161</u>	<u>1,967,997</u>
Other assets:			
Bond issue cost, net	36,321	-	30,182
Bond refunding costs/escrow	35,325	-	-
Total other assets	<u>71,646</u>	<u>-</u>	<u>30,182</u>
Total assets	<u>\$ 5,165,887</u>	<u>\$ 1,057,299</u>	<u>\$ 2,448,582</u>

<u>Totals</u>	
<u>1998</u>	<u>1997</u>
\$ 136,166	\$ 101,723
140,404	104,624
1,008,064	1,100,462
(310,895)	(201,410)
98,560	81,260
2,599	2,598
147,329	165,273
23,284	28,380
112,198	84,774
<u>109,058</u>	<u>22,353</u>
<u>1,466,767</u>	<u>1,490,037</u>
27,839	34,858
<u>897,466</u>	<u>969,030</u>
<u>925,305</u>	<u>1,003,888</u>
<u>6,177,868</u>	<u>6,282,699</u>
66,503	73,600
<u>35,325</u>	<u>70,650</u>
<u>101,828</u>	<u>144,250</u>
<u>\$ 8,671,768</u>	<u>\$ 8,920,874</u>

TOWN OF WELSH, LOUISIANA
ENTERPRISE FUNDS

COMBINING BALANCE SHEETS
May 31, 1998
With Comparative Totals for May 31, 1997
(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	\$ 101,151	\$ -	\$ 39,765
Accounts payable	158,588	180,334	196,894
Accrued liabilities	18,441	-	61,102
Due to other funds	<u>104,327</u>	<u>100,000</u>	<u>11,561</u>
Total current liabilities	<u>382,507</u>	<u>280,334</u>	<u>309,322</u>
Other liabilities:			
Long-term debt, net of current portion:			
Revenue bonds payable, certificates of indebtedness payable	1,583,750	-	1,714,755
Payable from restricted assets	<u>40,370</u>	<u>-</u>	<u>-</u>
Total other liabilities	<u>1,624,120</u>	<u>-</u>	<u>1,714,755</u>
Fund equity:			
Contributed capital	354,114	381,860	693,173
Retained earnings:			
Reserved	687,323	507	197,105
Unreserved:			
Undesignated	<u>2,117,823</u>	<u>394,598</u>	<u>(465,773)</u>
Total fund equity/retained earnings (deficit)	<u>2,805,146</u>	<u>395,105</u>	<u>(268,668)</u>
Total fund equity	<u>3,159,260</u>	<u>776,965</u>	<u>424,505</u>
Total liabilities and fund equity	<u>\$ 5,165,887</u>	<u>\$ 1,057,299</u>	<u>\$ 2,448,582</u>

<u>Totals</u>	
<u>1998</u>	<u>1997</u>
\$ 140,916	\$ 181,597
535,816	473,126
79,543	78,278
<u>215,888</u>	<u>188,992</u>
<u>972,163</u>	<u>921,993</u>
3,298,505	3,489,420
<u>40,370</u>	<u>34,635</u>
<u>3,338,875</u>	<u>3,524,055</u>
1,429,147	1,429,147
884,935	1,033,145
<u>2,046,648</u>	<u>2,076,437</u>
<u>2,931,583</u>	<u>3,109,582</u>
<u>4,360,730</u>	<u>4,538,729</u>
<u>\$ 8,671,768</u>	<u>\$ 8,984,777</u>

TOWN OF WELSH, LOUISIANA
ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year Ended May 31, 1998
With Comparative Totals for Year Ended May 31, 1997

	<u>Public Utility</u>	<u>Hospital</u>	<u>Extended Care Facility</u>
Operating revenues:			
Charges for services	\$ 2,413,889	\$ 1,982,677	\$ 2,556,626
Provision for bad debts	(8,993)	(198,119)	(21,034)
Contractual allowances	-	(393,980)	-
Tap fees	4,098	-	-
Property taxes	-	78,544	-
Grants and contributions	-	111,183	-
Miscellaneous	<u>38,890</u>	<u>9,248</u>	<u>-</u>
Total operating revenues	<u>2,447,884</u>	<u>1,589,553</u>	<u>2,535,592</u>
Operating expenses:			
Public utility	1,769,581	-	-
Hospital	-	1,961,941	-
Extended care facility	-	-	2,302,071
Depreciation	96,145	83,695	87,538
Amortization	<u>38,869</u>	<u>-</u>	<u>2,455</u>
Total operating expenses	<u>1,904,595</u>	<u>2,045,636</u>	<u>2,392,064</u>
Operating income	<u>543,289</u>	<u>(456,083)</u>	<u>143,528</u>
Nonoperating revenues (expenses):			
Interest expense	(97,083)	-	(104,617)
Interest income	<u>41,545</u>	<u>1,085</u>	<u>17,643</u>
Total nonoperating revenues (expenses)	<u>(55,538)</u>	<u>1,085</u>	<u>(86,974)</u>
Income (loss) before operating transfers	<u>487,751</u>	<u>(454,998)</u>	<u>56,554</u>
Operating transfers:			
Operating transfers in	-	21,597	-
Operating transfers (out)	<u>(225,000)</u>	<u>-</u>	<u>-</u>
Total operating transfers	<u>(225,000)</u>	<u>21,597</u>	<u>-</u>
Net income (loss)	262,751	(433,401)	56,554
Retained earnings (deficit) at beginning of year	2,606,298	828,506	(325,222)
Net income (loss), as restated for year ended May 31, 1997	<u>(63,903)</u>	<u>-</u>	<u>-</u>
Retained earnings (deficit) at end of year	<u>\$ 2,805,146</u>	<u>\$ 395,105</u>	<u>\$ (268,668)</u>

<u>Totals</u>	
<u>1998</u>	<u>1997</u>
\$ 6,953,192	\$ 6,914,562
(228,146)	(134,130)
(393,980)	(289,778)
4,098	2,328
78,544	87,696
111,183	6,985
<u>48,138</u>	<u>69,483</u>
<u>6,573,029</u>	<u>6,657,146</u>
1,769,581	1,750,473
1,961,941	1,989,591
2,302,071	2,206,714
267,378	285,607
<u>41,324</u>	<u>40,224</u>
<u>6,342,295</u>	<u>6,272,609</u>
<u>230,734</u>	<u>384,537</u>
(201,700)	(191,562)
<u>60,273</u>	<u>61,570</u>
<u>(141,427)</u>	<u>(129,992)</u>
<u>89,307</u>	<u>254,545</u>
21,597	-
<u>(225,000)</u>	<u>(251,000)</u>
<u>(203,403)</u>	<u>(251,000)</u>
(114,096)	3,545
3,109,582	3,106,037
<u>(63,903)</u>	<u>-</u>
<u>\$ 2,931,583</u>	<u>\$ 3,109,582</u>

TOWN OF WELSH, LOUISIANA
ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS
Year Ended May 31, 1998
With Comparative Totals for Year Ended May 31, 1997

	<u>Public Utility</u>	<u>Hospital</u>	<u>Extended Care Facility</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 543,289	\$(456,083)	\$ 143,528
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	96,145	83,695	87,538
Amortization	38,869	-	2,455
Changes in assets and liabilities:			
(Increase) decrease in receivables and accruals	(104,402)	281,003	7,981
(Increase) decrease in inventories	6,123	10,326	1,494
(Increase) decrease in prepaid expenses	3,886	575	635
(Increase) decrease in due from other agencies	-	(86,705)	-
Increase (decrease) in accounts payable and accruals	21,431	3,440	39,174
(Decrease) in amounts due to other agencies	-	-	-
(Decrease) in liabilities payable from restricted assets	<u>5,735</u>	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>611,076</u>	<u>(163,749)</u>	<u>282,805</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
(Increase) in due from other funds	(20,263)	(7,161)	-
Increase (decrease) in amounts due to other funds	(528)	66,824	(39,490)
Contributed capital	-	117,330	(117,330)
Operating transfers in	-	21,597	-
Operating transfers out	<u>(225,000)</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>(245,791)</u>	<u>198,590</u>	<u>(156,820)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of fixed assets	(149,800)	-	(11,648)
Principal paid on bonds	(94,349)	-	(137,247)
Interest paid on bonds and capital lease obligations	<u>(97,083)</u>	<u>-</u>	<u>(104,617)</u>
Net cash (used in) capital and related financing activities	<u>(341,232)</u>	<u>-</u>	<u>(253,512)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase) redemption of short-term investments	(50,167)	-	121,731
Interest income	<u>41,545</u>	<u>1,085</u>	<u>17,643</u>
Net cash provided by (used in) investing activities	<u>(8,622)</u>	<u>1,085</u>	<u>139,374</u>
 Net increase (decrease) in cash and cash equivalents	 15,431	 35,926	 11,847
Cash and cash equivalents:			
Beginning of year	<u>163,725</u>	<u>25,797</u>	<u>51,683</u>
End of year	<u>\$ 179,156</u>	<u>\$ 61,723</u>	<u>\$ 63,530</u>

<u>Totals</u>	
<u>1998</u>	<u>1997</u>
\$ 230,734	\$ 384,537
267,378	285,607
41,324	40,224
184,582	26,592
17,943	(2,650)
5,096	(1,065)
(86,705)	-
64,045	(111,833)
-	(81,667)
<u>5,735</u>	<u>(2,860)</u>
<u>730,132</u>	<u>536,885</u>
(27,424)	(102,090)
26,806	46,562
-	(164)
21,597	-
<u>(225,000)</u>	<u>(251,000)</u>
<u>(204,021)</u>	<u>(306,692)</u>
(161,448)	(26,074)
(231,596)	(123,439)
<u>(201,700)</u>	<u>(191,562)</u>
<u>(594,744)</u>	<u>(341,075)</u>
71,564	67,915
<u>60,273</u>	<u>61,570</u>
<u>131,837</u>	<u>129,485</u>
63,204	18,603
<u>241,205</u>	<u>222,602</u>
<u>\$ 304,409</u>	<u>\$ 241,205</u>

TOWN OF WELSH, LOUISIANA
PUBLIC UTILITY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year Ended May 31, 1998
With Comparative Totals for Year Ended May 31, 1997

	1998	1997
Operating revenues:		
Charges for services	\$ 2,413,889	\$ 2,172,608
Provision for bad debts	(8,993)	(7,734)
Tap fees	4,098	2,328
Miscellaneous	38,890	57,909
Total operating revenues	2,447,884	2,225,111
Operating expenses:		
Public utility	1,769,581	1,750,473
Depreciation	96,145	97,286
Amortization	38,869	38,869
Total operating expenses	1,904,595	1,886,628
Operating income	543,289	338,483
Nonoperating revenues (expenses):		
Interest expense	(97,083)	(86,748)
Interest income	41,545	43,701
Total nonoperating revenues (expenses)	(55,538)	(43,047)
Income before operating transfers	487,751	295,436
Operating transfers:		
Operating transfers out	(225,000)	(251,000)
Net income (loss)	262,751	44,436
Retained earnings at beginning of year	2,606,298	2,561,862
Net (loss) as restated for year ended May 31, 1997	(63,903)	-
Retained earnings at end of year	\$ 2,805,146	\$ 2,606,298

TOWN OF WELSH, LOUISIANA
HOSPITAL FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year Ended May 31, 1998
With Comparative Totals for Year Ended May 31, 1997

	<u>1998</u>	<u>1997</u>
Operating revenues:		
Charges for services	\$ 1,982,677	\$ 2,318,795
Provision for bad debts	(198,119)	(96,675)
Contractual allowances	(393,980)	(289,778)
Property taxes	78,544	87,696
Grants and contributions	111,183	6,985
Miscellaneous	<u>9,248</u>	<u>11,574</u>
Total operating revenues	<u>1,589,553</u>	<u>2,038,597</u>
Operating expenses:		
Hospital	1,961,941	1,989,591
Depreciation	<u>83,695</u>	<u>93,945</u>
Total operating expenses	<u>2,045,636</u>	<u>2,083,536</u>
Operating (loss)	(456,083)	(44,939)
Nonoperating revenues (expenses):		
Interest income	<u>1,085</u>	<u>3,552</u>
Income (loss) before operating transfers	(454,998)	(41,387)
Operating transfers:		
Operating transfers in	<u>21,597</u>	<u>-</u>
Net income (loss)	(433,401)	(41,387)
Retained earnings at beginning of year	<u>828,506</u>	<u>869,893</u>
Retained earnings at end of year	<u>\$ 395,105</u>	<u>\$ 828,506</u>

TOWN OF WELSH, LOUISIANA
EXTENDED CARE FACILITY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year Ended May 31, 1998
With Comparative Totals for Year Ended May 31, 1997

	1998	1997
Operating revenues:		
Charges for services	\$ 2,556,626	\$ 2,423,159
Provision for bad debts	<u>(21,034)</u>	<u>(29,721)</u>
Total operating revenues	<u>2,535,592</u>	<u>2,393,438</u>
Operating expenses:		
Extended care facility	2,302,071	2,206,714
Depreciation	87,538	94,376
Amortization	<u>2,455</u>	<u>1,355</u>
Total operating expenses	<u>2,392,064</u>	<u>2,302,445</u>
Operating income	<u>143,528</u>	<u>90,993</u>
Nonoperating revenues (expenses):		
Interest expense	(104,617)	(104,814)
Interest income	<u>17,643</u>	<u>14,317</u>
Total nonoperating revenues (expenses)	<u>(86,974)</u>	<u>(90,497)</u>
Net income (loss)	56,554	496
Retained earnings (deficit) at beginning of year	<u>(325,222)</u>	<u>(325,718)</u>
Retained earnings (deficit) at end of year	<u>\$ (268,668)</u>	<u>\$ (325,222)</u>

SUPPLEMENTARY INFORMATION

TOWN OF WELSH, LOUISIANA

SCHEDULE OF COMPENSATION PAID TO GOVERNING BOARD
Year Ended May 31, 1998

	<u>Salary</u>	<u>Per Diem</u>	<u>Mileage Reimbursement</u>	<u>Total</u>
Mayor:				
Mary Sue P. Lyon	\$ 6,750	\$ 3,889	\$ 1,165	\$ 11,804
Aldermen:				
Alexander Prudhomme, Jr.	2,700	550	33	3,283
Roland Landry	2,700	550	36	3,286
Wendell Richard	2,600	400	36	3,036
Joe Ray Vanicor	2,600	550	120	3,270
Joseph L. Van Ness	<u>2,700</u>	<u>-</u>	<u>-</u>	<u>2,700</u>
	<u>\$ 20,050</u>	<u>\$ 5,939</u>	<u>\$ 1,390</u>	<u>\$ 27,379</u>

TOWN OF WELSH, LOUISIANA
PUBLIC UTILITY ENTERPRISE FUND

SCHEDULE OF NUMBER OF UTILITY CUSTOMERS
May 31, 1998

	<u>Metered</u>	<u>Unmetered</u>
Electricity:		
Industrial	12	-
Commercial	165	-
Residential	1,450	-
Demand	12	-
Water	1,360	2
Sewer	1,225	-

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, 1998

<u>Description</u>		<u>Amount</u>
Land		\$ -
Electricity:		
Distribution system	\$ 102,091	
Equipment	<u>-</u>	102,091
Water:		
Distribution system	13,481	
Equipment	<u>-</u>	13,481
Sewer:		
Distribution system	11,861	
Equipment	<u>-</u>	11,861
Construction in progress:		
Water	-	
Sewer	<u>-</u>	<u>-</u>
Total additions		<u>\$ 127,433</u>

TOWN OF WELSH, LOUISIANA

SCHEDULE OF INSURANCE POLICIES IN FORCE

May 31, 1998

<u>Insurer</u>	<u>Policy Number</u>	<u>Amount of Policy</u>
OVERSIGHT UNIT-TOWN OF WELSH		
Hartford Steamboiler Insurance	BMH-NO-95341280-06	\$ 400,000
Louisiana Municipal Risk Management Agency	LML-309	500,000
Audubon Indemnity Co.	APD-801656	301,002
SAFECO Insurance Company of America	APB-7506672F	500,000
Western Surety	68299783	25,000
Trinity Universal Insurance Company of Kansas, Inc.	CRA7351867 09 36	10,000 50,000
American International South	CFP533428	50% of 1,098,450
Trinity Universal Insurance Company of Kansas, Inc.	CF8926537 07	50% of 1,098,450
Louisiana Municipal Risk Management Agency	LML-309	500,000
Louisiana Municipal Risk Management Agency	LML-309	500,000
Louisiana Municipal Risk Management Agency	LML-309	500,000
Western Surety Co.	68299783	5,000
Western Surety Co.	68299784	5,000
Louisiana Municipal Risk Management	WC-0077	100,000
		500,000
		100,000
COMPONENT UNIT-HOSPITAL & EXTENDED CARE FACILITY		
Travelers Insurance Co.	P-630-520K2787-TIL-97	5,000,000
	M5J-BMC-541K5824-TIL-97	4,500,000
		500,000
Louisiana Hospital Association Trust Fund	HPL-550-97	100,000
		500,000
Louisiana Patient Compensation Fund	HPL-550-97	100,000
Louisiana Hospital Association Trust Fund	HPL-550-97-E2	100,000
		500,000
Louisiana Hospital Association Trust Fund	HPL-550-97-E2	100,000
		500,000
Louisiana Patient Compensation Fund	HPL-550-97-E2	100,000
Louisiana Hospital Association Trust Fund	HPL-550-97-E3	100,000
		500,000
Trinity Universal Insurance Co.	427691	75,000
Welsh Insurance Agency	68424236	-

<u>Risk Covered</u>	<u>Policy Expiration Date</u>
Property damage	12/9/98
Auto-liability	10/1/98
Per occurrence	10/1/98
Airport owners, landlords and tenants liability	1/1/99
Public employees blanket bond	11/3/98
Robbery and safe	4/12/99
Burglary	4/12/99
Buildings and contents	2/28/99
Buildings and contents	2/28/99
Law enforcement liability	10/1/98
Public officials	10/1/98
General liability	10/1/98
Ex officio notary public surety bond	11/3/98
Ex officio notary public surety bond	11/3/98
Bodily injury by accident - each accident	1/1/99
Bodily injury by disease - policy limit	1/1/99
Bodily injury by disease - each employee	1/1/99
Boiler and machinery coverage	11/29/98
Building contents	11/29/98
Building contents	11/29/98
- per claim hospital professional liability	11/1/98
- per occurrence comprehensive general liability	
- per claim	11/1/98
- per occurrence comprehensive general liability	11/1/98
- per claim hospital professional liability	11/1/98
- per occurrence comprehensive general liability	11/1/98
- per claim	11/1/98
- per claim hospital professional general liability	11/1/98
- per occurrence comprehensive general liability	11/1/98
Public employees blanket bond	6/26/99
Glass coverage	4/12/99

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
Year Ended May 31, 1998

	<u>CFDA Number</u>	<u>Grant Award</u>	<u>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	1,000,000	839,250	903,154
Community Development Block Grant Funds	14.219	215,000	142,563	142,563
Environmental Protection Agency (LA DEQ):				
Capitalization Grants for State Revolving Funds	66.458	1,500,000	804,668	804,668

• Loan balance outstanding as of May 31, 1998 \$919,901

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

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Charles I. 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, 1998, and have issued our report thereon dated November 4, 1998. 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 98-4 through 98-6.

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 98-1, 98-2 and 98-3.

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 98-1 and 98-2 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 schedule of management comments and suggestions.

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, Quirk & Burch

Lake Charles, Louisiana
November 4, 1998

McELROY, QUIRK & BURCH

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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, 1998. 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, 1998.

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 Schedule of Management Comments and Suggestions.

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, Quirk & Burch

Lake Charles, Louisiana
November 4, 1998

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 1998

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
Material weakness identified?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Reportable condition identified not considered to be material weakness?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:	
Material weakness identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Reportable condition identified not considered to be material weakness?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> 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)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> 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, 1998
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

98-1 Bank Reconciliation

Condition: Bank reconciliations for the Town's hospital fund and extended care facility fund were not prepared for the last seven 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. A vote was passed on November 3, 1998 to sell both Welsh General Hospital and Extended Care Facility. All bank reconciliations subsequent to year end have been prepared and a procedure is in place to insure timely preparation.

98-2 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, 1998
(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.

98-3 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 awaiting a legal opinion on specific matters addressed. Adoption of the revised policy and procedures manual should occur during the fiscal year May 31, 1999.

98-4 Expenditures Exceeding Appropriations

Condition: The expenditures exceeded appropriations in the general fund department of police by more than 5%.

Criteria: Special compliance rules apply to budgets applicable to elected officials in that expenditures cannot exceed appropriations by more than 5%.

Effect: Out of compliance with state law.

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 1998
(Continued)

Recommendation: Elected officials of the municipality need to advise the municipal governing authority in writing when the actual expenditures plus projected expenditures for the remainder of the year within their department exceed the total budgeted expenditures by 5% or more. They need to make recommendations in writing to the governing authority for responsive action. Future budgets need to be reviewed on a monthly basis by the appropriate department heads to insure that expenditures do not exceed appropriations.

Response: 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.

98-5 Required 1099's are Not Being Issued

Condition: Required 1099's are not being issued for all contract labor over \$600 at the hospital and extended care facility.

Criteria: 1099's are required to be issued for all contract labor over \$600.

Effect: This is not in compliance with federal law.

Recommendation: 1099's should be issued for all contract labor exceeding \$600.

Response: We concur with this recommendation. 1099's will be issued for all contract labor over \$600. The hospital was closed on September 7, 1998. A vote was passed on November 3, 1998 to sell both the hospital and extended care facility.

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

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 1998
(Continued)

receive the necessary information to complete his report until January, 1999. He then forwarded the necessary adjustments to complete the audit report.

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.

Response: We concur with this recommendation. This should not occur again because the hospital and extended care facility are in the process of being sold, therefore, there will be no delays due to the hospital and extended care facility's accounting personnel or contracted outside third parties.

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 1998
(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, 1998

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, 1998

FINDING 97-1: 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 97-2: 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.

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, 1999.

FINDING 97-3: 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.

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, 1998
(Continued)

Current status: The police department exceeded budgeted appropriations again by more than 5%, along with the department of health and welfare, department of sanitation, and the department of economic development which are all within the general fund. 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 97-4: Significant Delays Between Date of Service and Date of Billing

Condition: At the hospital, it was noted that significant delays existed between the dates of service and billing to patients and/or to third party payers. The delays were largely a result of not receiving dictated medical records from physicians that performed the services.

Recommendation: The auditor recommended that procedures be established to assist the physician in preparing the dictated medical records in order to decrease the time lag between medical service delivery and billing.

Current status: No similar findings were noted in the fiscal year 1998 audit. The hospital was closed on September 7, 1998. A vote was passed on November 3, 1998 to sell both the hospital and the extended care facility.

FINDING 97-5: Inadequate Procedures in Coding Medical Supplies Used for Patients

Condition: It was noted that supplies were not being checked against current price lists or otherwise verified by independent employees after input or coding. Additionally, the "yellow tabs" used to charge for supplies used were not always accounted for.

Recommendation: The auditor recommended that procedures be established to provide a "double check" to insure that all medical supplies used are properly charged and coded to the patient's medical records and that all used and unused "yellow tabs" be strictly accounted for.

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, 1998
(Condition)

Current status: The condition still exists. However, a vote was passed on November 3, 1998 to sell both the hospital and extended care facility and no additional patients will be admitted.

FINDING 97-6: Inadequate Controls Over Payment of Travel Expenses

Condition: Management was not reviewing travel expense reports which was an instance of noncompliance with hospital policy.

Recommendation: The auditor recommended that hospital management periodically review travel reports submitted to supervisors to insure compliance with hospital policy.

Current status: Management reviewed all travel reports. The hospital was closed on September 7, 1998. A vote was passed on November 3, 1998 to sell both the hospital and the extended care facility.

FINDING 97-7: 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.

Recommendation: The auditor recommended that all employees should be required to sign their time cards. Additionally, the payroll department should recalculate the computed hours on each time card. Lastly, it was recommended that management should review the complete payroll listing for each payroll for reasonableness.

Current status: The time cards remain unsigned by employees. The hours are recalculated by the payroll department for accuracy and management reviews each payroll listing for reasonableness. Several payroll checks were found without employee signature. The hospital was closed on September 7, 1998. A vote was passed on November 3, 1998 to sell both the hospital and the extended care facility.

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, 1998
(Condition)

FINDING 97-8: 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.

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

Current status: No similar findings were noted in the fiscal year 1998 audit. The hospital was closed on September 7, 1998. A vote was passed on November 3, 1998 to sell both the hospital and the extended care facility.

FINDING 97-9: Inadequate Controls Over Deposits

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

Recommendation: A reconciliation form was developed to document the process. Additionally, it was recommended that management spot check cash drawers on a random basis to insure that proper procedures were being followed.

Current status: The cash drawers are being counted and reconciled daily and the reconciliation form is being utilized. However, the cash drawers are not spot checked by management. The hospital was closed on September 7, 1998. A vote was passed on November 3, 1998 to sell both the hospital and the extended care facility.

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, 1998
(Condition)

FINDING 97-10: Sale of Supplies Sold to Employees and Residents of Hospital Not Properly Accounted For

Condition: At the hospital, it was noted that various supplies were sold to employees and residents of the hospital. Additionally, it was noted that sales tax did not appear to be charged to the sales which is a noncompliance issue.

Recommendation: The auditor recommended that requisitions for such sales should be accounted for numerically and a log maintained for all requisitions issued. Funds collected for such sales should be reconciled to the log and requisitions and deposited daily. It was also recommended that applicable taxes be charged and remitted to the appropriate taxing authorities.

Current status: The practice of selling supplies has been discontinued by management. The hospital was closed on September 7, 1998. A vote was passed on November 3, 1998 to sell both the hospital and the extended care facility.

FINDING 97-11: Overdue Private Pay Receivables

Condition: It was noted that even though receivable had decreased from the prior year, receivable from private pay patients increased and represented about 65.93% of the total receivable. Many of these receivables were over 120 days old.

Recommendation: The auditor recommended that efforts should be focused on as much of these receivables as possible to improve cash flow. Additionally, it was recommended that management consider reviewing and revising admission policies to address financial responsibility of patients for services provided by the hospital.

Current status: Management has changed its admission policies. The hospital was closed on September 7, 1998. A vote was passed on November 3, 1998 to sell both the hospital and the extended care facility.

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, 1998
(Condition)

FINDING 97-12: Excess of Required Reserves

Condition: The sinking fund requirement for the extended care facility has funds in excess of the required reserves.

Recommendation: The auditor recommended management review these fund balances in order to determine if such funds are available for other uses. These balances should be reviewed with the trust authorities, as well as the bonding attorney to determine the proper utilization of these potential excess funds.

Current status: The required reserves remain in excess of sinking fund requirements. A vote was passed on November 3, 1998 to sell both the hospital and extended care facility.

FINDING 97-13: Inadequate Procedures in Admissions

Condition: It was noted that on some occasions Medicaid precertificates a resident, but then researches the patient's resources and rescinds their approval. This resulted in the patient being converted to a private pay patient and in some instances collectibility for incurred charges is not certain.

Recommendation: The auditor recommended that at admission a legal agreement be executed by the admitted patient and their family in an effort to insure collectibility of nursing home charges.

Current status: The nursing home changed its admission procedures and now requires the patient and/or his family to sign a legal agreement assuming responsibility for all charges the patient may incur. A vote was passed on November 3, 1998 to sell both the hospital and extended care facility.

FINDING 97-14: Inadequate Controls Over Petty Cash

Condition: Petty cash vouchers and receipts were not being canceled.

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, 1998
(Condition)

Recommendation: The auditor recommended that all petty cash disbursement checks should continue to be made out to petty cash and cashed at the bank. All petty cash disbursements should continue to be reviewed in detail by the person signing the petty cash reimbursement check. Also, that all petty cash vouchers and receipts should be canceled to avoid possible resubmission.

Current status: No similar findings were noted in the fiscal year 1998 audit. The hospital was closed on September 7, 1998. A vote was passed on November 3, 1998 to sell both the hospital and the extended care facility.

FINDING 97-15: 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 a vote was passed on November 3, 1998 to sell both the hospital and extended care facility. Welsh General Hospital was closed on September 7, 1998. A vote was passed on November 3, 1998 to sell both Welsh General Hospital and Extended Care Facility. All bank reconciliations subsequent to year end have been prepared and a procedure is in place to insure timely preparation.

FINDING 97-16: Cash Flow Problems

Condition: It was noted that at the hospital and extended care facility management significantly reduced operating costs, but cash flow continued to be a problem.

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, 1998
(Condition)

Recommendation: The auditor recommended that management continue to research possible affiliations with larger hospital facilities in the area in order to increase patient census and physician participation.

Current status: Cash flow remained a problem at the hospital before closing on September 7, 1998 and still remains a problem at the extended care facility which is in the process of being sold. Operating costs increased for both facilities due to the laying off of employees and paying their accumulated sick, vacation and compensated hours.

FINDING 97-17: 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.

Recommendation: The auditor recommended that the accounting personnel should be cross trained. 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. It was further recommended that each employee be required to take at least one week's vacation at one time each year.

Current status: The condition still existed as of the balance sheet date. The hospital was closed on September 7, 1998 and a vote was passed on November 3, 1998 to sell both the hospital and extended care facility.

FINDING 97-19: Inadequate Controls over Cash Disbursements

Condition: It was noted that checks presented for signature to the authorized signer did not have supporting documentation with it.

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, 1998
(Condition)

Recommendation: The auditor recommended that all checks prepared for signature should be presented to the authorized signer along with the supporting documentation for the check. No check should be signed until the signer has reviewed the accompanying invoice and signs documentation. It was also recommended that no vendor be paid from a statement. Vendors should only be paid from invoices to assist in eliminating duplicate payment of the same invoice.

Current status: Management reviews all supporting documentation before signing the check and stamps all invoices paid. The hospital was closed on September 7, 1998 and a vote was passed on November 3, 1998 to sell both the hospital and extended care facility.