

TOWN OF WELSH, LOUISIANA

Financial Report

Year Ended May 31, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Welsh, Louisiana (Town), as of and for the year ended May 31, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Welsh, Louisiana, as of May 31, 2021, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules, schedule of employer's share of net pension liability, and schedule of employer contributions on pages 45 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Welsh, Louisiana's basic financial statements. The other supplementary information on pages 51 through 64 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The various combining and comparative statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the various combining and comparative statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The prior year comparative information on the comparative statements has been derived from the Town's 2020 financial statements, which were audited by other auditors whose report dated December 14, 2020, expressed an unmodified opinion on the governmental activities, business type activities, each major fund, and the aggregate fund information of the Town of Welsh as of and for the year ended May 31, 2020.

The various schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2021, on our consideration of the Town of Welsh, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
September 15, 2021

BASIC FINANCIAL STATEMENTS

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

TOWN OF WELSH, LOUISIANA

Statement of Net Position
May 31, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and interest-bearing deposits	\$ 1,228,659	\$ 611,794	\$ 1,840,453
Investments	94,335	727,814	822,149
Receivables, net	63,004	230,298	293,302
Internal balances	3,125,206	(3,125,206)	-
Due from other governmental agencies	106,564	1,256,069	1,362,633
Inventories	-	193,719	193,719
Total current assets	<u>4,617,768</u>	<u>(105,512)</u>	<u>4,512,256</u>
Noncurrent assets:			
Restricted assets -			
Cash and interest-bearing deposits	125,576	137,093	262,669
Investments	323,388	46,348	369,736
Capital assets -			
Land and construction in progress	67,599	859,989	927,588
Capital assets, net	<u>2,526,932</u>	<u>6,471,962</u>	<u>8,998,894</u>
Total noncurrent assets	<u>3,043,495</u>	<u>7,515,392</u>	<u>10,558,887</u>
Total assets	<u>7,661,263</u>	<u>7,409,880</u>	<u>15,071,143</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>245,731</u>	<u>95,964</u>	<u>341,695</u>
LIABILITIES			
Current liabilities:			
Accounts, salaries, and other payables	181,163	438,235	619,398
Customer deposits	-	72,129	72,129
Capital lease payable	13,512	-	13,512
Bonds and certificates payable	58,000	34,000	92,000
Accrued interest	-	2,148	2,148
Total current liabilities	<u>252,675</u>	<u>546,512</u>	<u>799,187</u>
Noncurrent liabilities:			
Capital lease payable	31,268	-	31,268
Bonds and certificates payable	108,000	626,904	734,904
Net pension liability	<u>875,714</u>	<u>373,599</u>	<u>1,249,313</u>
Total noncurrent liabilities	<u>1,014,982</u>	<u>1,000,503</u>	<u>2,015,485</u>
Total liabilities	<u>1,267,657</u>	<u>1,547,015</u>	<u>2,814,672</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>70,303</u>	<u>19,638</u>	<u>89,941</u>
NET POSITION			
Net investment in capital assets	2,383,751	6,608,329	8,992,080
Restricted:			
Sales tax dedications	1,172,764	-	1,172,764
Debt service	-	69,230	69,230
Unrestricted (deficit)	<u>3,012,519</u>	<u>(738,368)</u>	<u>2,274,151</u>
Total net position	<u>\$ 6,569,034</u>	<u>\$ 5,939,191</u>	<u>\$ 12,508,225</u>

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

TOWN OF WELSH, LOUISIANA

Statement of Activities
For the Year Ended May 31, 2021

Activities	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 538,987	\$ 165,951	\$ -	\$ -	\$ (373,036)	\$ -	\$ (373,036)
Public safety	1,532,297	328,968	308,023	-	(895,306)	-	(895,306)
Public works	549,384	-	-	-	(549,384)	-	(549,384)
Sanitation	186,434	551,905	-	-	365,471	-	365,471
Culture and recreation	156,038	172,557	-	-	16,519	-	16,519
Interest on long-term debt	7,744	-	-	-	(7,744)	-	(7,744)
Total governmental activities	2,970,884	1,219,381	308,023	-	(1,443,480)	-	(1,443,480)
Business-type activities:							
Water utility	431,816	326,647	16,929	369,469	-	281,229	281,229
Sewer utility	466,653	410,902	-	-	-	(55,751)	(55,751)
Electric utility	2,343,747	2,726,557	-	-	-	382,810	382,810
Total business-type activities	3,242,216	3,464,106	16,929	369,469	-	608,288	608,288
Total	\$ 6,213,100	\$ 4,683,487	\$ 324,952	\$ 369,469	(1,443,480)	608,288	(835,192)
General revenues:							
Taxes -							
Property taxes, levied for general purposes					119,234	-	119,234
Sales and use taxes, levied for general purposes					1,283,178	-	1,283,178
Franchise taxes					39,531	-	39,531
Grants and contributions not restricted to specific programs					15,142	-	15,142
Non-employer pension contribution					23,006	11,464	34,470
Interest and investment earnings					7,275	1,905	9,180
Miscellaneous					99,116	-	99,116
Transfers					309,000	(309,000)	-
Total general revenues and transfers					1,895,482	(295,631)	1,599,851
Change in net position					452,002	312,657	764,659
Net position - June 1, 2020					6,117,032	5,626,534	11,743,566
Net position - May 31, 2021					\$ 6,569,034	\$5,939,191	\$ 12,508,225

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

FUND FINANCIAL STATEMENTS (FFS)

FUND DESCRIPTIONS

MAJOR FUNDS

General Fund

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

Special Revenue Fund

1996 Sales Tax Fund -

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

Enterprise Funds

Water Utility Fund -

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

Sewer Utility Fund -

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

Electric Utility Fund -

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

TOWN OF WELSH, LOUISIANA

Balance Sheet
Governmental Funds
May 31, 2021

	<u>General</u>	<u>1996 Sales Tax Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and interest-bearing deposits	\$ 393,278	\$ 828,607	\$ 6,774	\$ 1,228,659
Investments	75,368	18,967	-	94,335
Receivables:				
Taxes	3,623	-	-	3,623
Accounts	59,381	-	-	59,381
Due from other governmental agencies	57,501	49,063	-	106,564
Due from other funds	3,128,377	279,633	88	3,408,098
Restricted assets:				
Interest bearing deposits	125,576	-	-	125,576
Investments	323,388	-	-	323,388
Total assets	<u>\$4,166,492</u>	<u>\$1,176,270</u>	<u>\$ 6,862</u>	<u>\$ 5,349,624</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 127,761	\$ -	\$ -	\$ 127,761
Accrued expenses	49,896	3,506	-	53,402
Due to other funds	272,983	-	9,909	282,892
Total liabilities	<u>450,640</u>	<u>3,506</u>	<u>9,909</u>	<u>464,055</u>
Fund balances:				
Restricted for sales tax dedications	-	1,172,764	-	1,172,764
Committed	448,964	-	-	448,964
Unassigned (deficit)	3,266,888	-	(3,047)	3,263,841
Total fund balances	<u>3,715,852</u>	<u>1,172,764</u>	<u>(3,047)</u>	<u>4,885,569</u>
Total liabilities and fund balances	<u>\$4,166,492</u>	<u>\$1,176,270</u>	<u>\$ 6,862</u>	<u>\$ 5,349,624</u>

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

TOWN OF WELSH, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
May 31, 2021

Total fund balances for governmental funds at May 31, 2021		\$4,885,569
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$ 67,599	
Buildings and improvements, net of \$1,529,967 accumulated depreciation	1,053,159	
Furniture and equipment, net of \$1,022,908 accumulated depreciation	347,641	
Vehicles, net of \$1,281,549 accumulated depreciation	308,005	
Infrastructure, net of \$71,368 accumulated depreciation	<u>818,127</u>	2,594,531
The deferred outflows of expenditures for the municipal and police employees retirement systems and postemployment benefits are not a use of current resources, and therefore, are not reported in the funds.		
		245,731
General long-term debt of governmental activities is not payable from current resources and, therefore, not reported in the funds. General long-term debt consist of:		
Certificates payable	(166,000)	
Capital lease payable	(44,780)	
Net pension liability	<u>(875,714)</u>	(1,086,494)
The deferred inflows of contributions for the municipal and police employees retirement systems are not available resources, and therefore, are not reported in the funds.		
		<u>(70,303)</u>
Total net position of governmental activities at May 31, 2021		<u>\$6,569,034</u>

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

TOWN OF WELSH, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Governmental Funds
 For the Year Ended May 31, 2021

	General	1996 Sales Tax Fund	Nonmajor Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 800,354	\$ 641,589	\$ -	\$ 1,441,943
Licenses and permits	165,951	-	-	165,951
Intergovernmental	323,165	-	-	323,165
Charges for services	515,422	-	-	515,422
Fines and forfeits	328,968	-	-	328,968
Jeff Davis Sanitary Landfill	209,040	-	-	209,040
Miscellaneous	100,340	6,048	3	106,391
Total revenues	<u>2,443,240</u>	<u>647,637</u>	<u>3</u>	<u>3,090,880</u>
Expenditures:				
Current -				
General government	465,069	23,359	-	488,428
Public safety	1,452,357	-	-	1,452,357
Public works	-	474,616	-	474,616
Culture and recreation	139,874	-	-	139,874
Sanitation	130,048	-	-	130,048
Capital outlay	243,953	4,045	-	247,998
Debt service	61,389	16,375	-	77,764
Total expenditures	<u>2,492,690</u>	<u>518,395</u>	<u>-</u>	<u>3,011,085</u>
Excess (deficiency) of revenues over expenditures	(49,450)	129,242	3	79,795
Other financing sources:				
Transfers in	309,000	-	-	309,000
Net changes in fund balances	259,550	129,242	3	388,795
Fund balances (deficit), beginning	<u>3,456,302</u>	<u>1,043,522</u>	<u>(3,050)</u>	<u>4,496,774</u>
Fund balances (deficit), ending	<u>\$ 3,715,852</u>	<u>\$ 1,172,764</u>	<u>\$ (3,047)</u>	<u>\$ 4,885,569</u>

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

TOWN OF WELSH, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended May 31, 2021

Total net changes in fund balances at May 31, 2021, per statement of revenues, expenditures, and changes in fund balances		\$ 388,795
The change in net position reported for governmental activities in the statement of activities is different because:		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay which is considered expenditures on statement of revenues, expenditures, and changes in fund balances	\$ 247,998	
Depreciation expense for the year ended May 31, 2021	(248,084)	
Loss on disposition of capital assets	<u>(2,673)</u>	(2,759)
<p>Proceeds from debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, principal payments are recorded as expenditures in the governmental funds but reduce the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:</p>		
Principal payments	56,000	
Capital lease payments	<u>14,020</u>	70,020
Pension expense not requiring the use of current economic resources and, therefore, not recorded as a fund expenditure		(27,060)
Nonemployer contributions to the municipal employees and police employees pension plans		<u>23,006</u>
Total changes in net position at May 31, 2021, per statement of activities		<u>\$ 452,002</u>

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

TOWN OF WELSH, LOUISIANA

Statement of Net Position
Total Proprietary Funds
May 31, 2021

	<u>Total Enterprise Funds</u>
ASSETS	
Current assets:	
Cash and interest-bearing deposits	\$ 611,794
Investments	727,814
Accounts receivable, net	230,298
Due from other governmental agencies	1,256,069
Due from other funds	2,267,348
Inventory	193,719
Total current assets	<u>5,287,042</u>
Noncurrent assets:	
Restricted assets -	
Cash and interest-bearing deposits	137,093
Investments	46,348
Capital assets -	
Land and construction in progress	859,989
Capital assets, net	<u>6,471,962</u>
Total noncurrent assets	<u>7,515,392</u>
Total assets	<u>12,802,434</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>95,964</u>
LIABILITIES	
Current liabilities:	
Accounts payable	150,823
Accrued liabilities	19,416
Contracts payable	246,946
Retainage payable	21,050
Due to other funds	5,392,554
Payable from restricted assets -	
Customer deposits	72,129
Revenue bonds payable	34,000
Interest payable	2,148
Total current liabilities	<u>5,939,066</u>
Noncurrent liabilities:	
Revenue bonds payable	626,904
Net pension liability	<u>373,599</u>
Total noncurrent liabilities	<u>1,000,503</u>
Total liabilities	<u>6,939,569</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>19,638</u>
NET POSITION	
Net investment in capital assets	6,608,329
Restricted for debt service	69,230
Unrestricted (deficit)	<u>(738,368)</u>
Total net position	<u>\$ 5,939,191</u>

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

TOWN OF WELSH, LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Total Proprietary Funds
 For the Year Ended May 31, 2021

	<u>Total Enterprise Funds</u>
Operating revenues:	
Charges for services	\$3,411,347
Miscellaneous	<u>52,759</u>
Total operating revenues	<u>3,464,106</u>
Operating expenses:	
Salaries	402,978
Payroll taxes	31,546
Retirement	9,485
Group insurance	68,203
Insurance	67,614
Utilities and telephone	68,130
Repairs and maintenance	68,130
Supplies	183,008
Legal and professional fees	157,162
Travel and conferences	49,361
Uniforms	7,891
Office supplies	11,308
Power purchased	1,807,999
Depreciation	208,764
Bad debts	16,771
Chemicals	53,105
Miscellaneous	<u>17,386</u>
Total operating expenses	<u>3,228,841</u>
Operating income	<u>235,265</u>
Nonoperating revenues (expenses):	
Investment income	1,905
Interest expense	(13,375)
Hurricane expenses	(1,084,791)
FEMA grant revenue	1,084,791
Non-employer pension contribution	11,464
Grant revenue	<u>16,929</u>
Total nonoperating revenues (expenses)	<u>16,923</u>
Income before contributions and transfers	<u>252,188</u>
Capital contributions	<u>369,469</u>
Transfers:	
Transfers in	1,308,431
Transfers out	<u>(1,617,431)</u>
Total transfers	<u>(309,000)</u>
Change in net position	312,657
Net position, beginning	<u>5,626,534</u>
Net position, ending	<u>\$5,939,191</u>

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

TOWN OF WELSH, LOUISIANA

Statement of Cash Flows
 Total Proprietary Funds
 For the Year Ended May 31, 2021

Cash flows from operating activities:	
Receipts from customers	\$3,483,183
Payments to suppliers	(2,602,270)
Payments to employees	<u>(512,212)</u>
Net cash provided by operating activities	<u>368,701</u>
Cash flows from noncapital financing activities:	
Decrease in customer deposits, net of refunds	(1,599)
Payments for hurricane expenses	(1,084,791)
Cash received from other funds	913,956
Transfers in	1,308,431
Transfers out	<u>(1,617,431)</u>
Net cash used by noncapital financing activities	<u>(481,434)</u>
Cash flows from capital and related financing activities:	
Purchase and construction of capital assets	(365,709)
Principal payments	(33,000)
Proceeds from grants	215,120
Interest paid	<u>(13,795)</u>
Net cash used by capital and related financing activities	<u>(197,384)</u>
Cash flows from investing activities:	
Purchase of investments	(774,162)
Maturities of investments	773,080
Investment income	<u>1,905</u>
Net cash provided by investing activities	<u>823</u>
Net decrease in cash and cash equivalents	(309,294)
Cash and cash equivalents, beginning of period	<u>1,058,181</u>
Cash and cash equivalents, end of period	<u>\$ 748,887</u>

(continued)

TOWN OF WELSH, LOUISIANA

Statement of Cash Flows
Total Proprietary Funds (Continued)
For the Year Ended May 31, 2021

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

Operating income	<u>\$ 235,265</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	208,764
Pension benefit	(36,941)
Changes in current assets and liabilities:	
Accounts receivable	19,077
Inventory	(43,874)
Accounts and other payables	<u>(13,590)</u>
Total adjustments	<u>133,436</u>
Net cash provided by operating activities	<u>\$ 368,701</u>

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

Cash and cash equivalents, beginning of period -	
Cash - unrestricted	\$ 927,913
Cash - restricted	<u>130,268</u>
Total cash and cash equivalents	<u>1,058,181</u>
Cash and cash equivalents, end of period -	
Cash - unrestricted	611,794
Cash - restricted	<u>137,093</u>
Total cash and cash equivalents	<u>748,887</u>
Net decrease	<u>\$ (309,294)</u>

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

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

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

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

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

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

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

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

Fund Financial Statements

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

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

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

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

The major funds of the Town are described below:

Governmental Funds -

General Fund -

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

Special Revenue Funds --

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

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 that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Enterprise Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services as its principal operation. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenditures.

The Town's enterprise funds are the Water Utility Fund, Sewer Utility Fund, and Electric Utility Fund.

The Town's nonmajor governmental funds are described below:

LCDBG Fund --

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

Drug Seizure Fund -

This fund is used to account for proceeds and distribution of monies obtained under the provisions of Revised Statute 40:2616, "Seizure and Controlled Dangerous Substances Property Forfeiture Act of 1989".

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

C. Measurement Focus/Basis of Accounting

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

Measurement Focus

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

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

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

Basis of Accounting

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

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

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

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

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

Cash and interest-bearing deposits

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

Investments

Under state law, the Town may deposit funds with a fiscal agent organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The Town may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana Law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. In accordance with GASB Codification Section I50, investments meeting the criteria specified in the statement are stated at fair value, which is quoted market prices.

Interfund receivables and payables

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

Inventories

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

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. The major receivable balances for the governmental activities are sanitation service charges, occupational licenses, and sales and use taxes. Business-type activities report federal grants and customer's utility service receivables as their major receivables. Uncollectible utility service receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance for uncollectibles for customers' utility receivables was \$54,614 at May 31, 2021.

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Capital Assets

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

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

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

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

Restricted Assets

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Compensated Absences

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

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

In accordance with above criteria the Town has accrued a liability for vacation pay that has been earned but not taken by Town employees. 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.

Accumulated Unpaid Sick Pay

Accumulated unpaid sick pay was not considered material at May 31, 2021. Therefore, accumulated unpaid sick pay is not reflected in these financial statements.

Long-term debt

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

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of general obligation bonds, street improvement refunding bonds, sales tax bonds, and capital lease obligations.

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

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Equity Classifications

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

- a. Net investment in capital assets – Consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

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

- a. Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- c. Committed – amounts that can be used only for specific purposes determined by a formal action of the Town Alderman, which is the highest level of decision-making authority for the Town.
- d. Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes determined by a formal decision of the Town’s Mayor and Town Alderman.
- e. Unassigned – all other spendable amounts.

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

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

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

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

Expenditures/Expenses

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

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

Governmental Funds - By Character

Proprietary Funds - By Operating and Nonoperating

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

Interfund Transfers

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

F. Revenue Restrictions

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

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales tax	See Note 3
Water, sewer and electric revenue	Utility operations

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

G. Capitalization of Interest Expense

It is the policy of the Town to capitalize material amounts of interest resulting from borrowings in the course of the construction of capital assets in the proprietary funds. At May 31, 2021, there were no borrowings for assets under construction and no capitalized interest expense was recorded on the books.

H. Reclassifications

For comparative purposes, certain accounts in the prior year financial statements have been reclassified in order to conform to the presentation of the current year statements.

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(2) Ad Valorem Taxes

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

For the year ended May 31, 2021, taxes of 7.03 mills were levied on property with assessed valuations totaling \$16,246,037 and were dedicated for general corporate purposes. Total taxes levied for the year ended May 31, 2021 were \$196,168. Taxes receivable at May 31, 2021 amounted to \$3,623.

(3) Dedication of Sales Tax Revenues

Proceeds of a 1% sales and use tax levied by the Town, accounted for in the General Fund, (2021 collections \$641,589) are dedicated to the following purposes: police and fire department stations and equipment, sidewalks, bridges, recreational facilities, drains and drainage facilities, improving and/or maintaining streets and public buildings, and purchasing and acquiring equipment and furnishing public works. The sales tax expires in June 2044.

Proceeds of a 1% sales and use tax levied by the Town, accounted for in the 1996 Sales Tax Fund, (2021 collections \$641,589) are dedicated to the following purposes: constructing, improving, resurfacing and maintaining public streets, alleys and sidewalks, including drainage, and acquiring equipment therefore and to be funded into bonds. The sales tax expires in June 2044.

(4) Cash and Interest-Bearing Deposits

Under state law, the Town may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Town may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At May 31, 2021, the Town has cash and interest-bearing deposits (book balances) totaling \$2,103,122.

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

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Deposit balances (bank balances) at May 31, 2021 are secured as follows:

Bank balances	<u>\$2,153,236</u>
Federal deposit insurance	\$ 929,017
Pledged securities	<u>1,224,219</u>
Total	<u>\$2,153,236</u>

Deposits in the amount of \$1,224,219 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent but not in the Town's name. Even though the pledged securities are considered uncollateralized, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand. The Town does not have a policy for custodial credit risk.

(5) Investments

Investments held at May 31, 2021 consist of \$1,191,885 in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). LAMP is administered by MAP Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

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

Credit risk. State law limits investments to United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having a principal office in the State of Louisiana. Local governments in Louisiana are authorized to invest in LAMP. The Town has no investment policy that would further limit its investment choices. As of May 31, 2021, the Town's investment in LAMP was rated AAAM by Standard & Poor's.

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

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

(6) Receivables, net

Receivables at May 31, 2021 consist of the following:

Governmental Activities -	
Sanitation service charges	\$ 34,048
LAMATS - occupational licenses	25,333
Ad valorem taxes	<u>3,623</u>
Total governmental activities	63,004
Business-Type Activities -	
Accounts, net	<u>230,298</u>
Total receivables, net	<u>\$ 293,302</u>

(7) Due from Other Governmental Agencies

Amounts due from other governmental agencies at May 31, 2021 consisted of the following:

Governmental Activities -	
Jefferson Davis School Board - sales and use taxes	\$ 98,126
Housing Authority - payment in lieu of taxes	<u>8,438</u>
Total governmental activities	<u>106,564</u>
Business-Type Activities -	
LCDBG grant	171,278
FEMA hurricane grant	<u>1,084,791</u>
Total business-type activities	<u>1,256,069</u>
Total due from governmental agencies	<u>\$1,362,633</u>

(8) Restricted Assets

Assets were restricted for the following purposes at May 31, 2021:

General Fund:	
Emergency cash reserve	<u>\$ 448,964</u>
Public utilities:	
Customer deposits	\$ 72,129
Construction Fund	5,934
Debt service -	
2017 Bond Sinking Fund	27,215
2017 Bond Reserve Fund	25,431
2017 Bond Contingency Fund	<u>52,732</u>
	<u>\$ 183,441</u>

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

(9) Capital Assets

Capital asset activity for the year ended May 31, 2021 was as follows:

	<u>Balance</u> 06/01/20	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 05/31/21
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 67,599	\$ -	\$ -	\$ 67,599
Capital assets being depreciated:				
Buildings and improvements	2,498,875	84,251	-	2,583,126
Furniture and equipment	1,218,102	163,747	11,300	1,370,549
Vehicles	1,771,398	-	181,844	1,589,554
Infrastructure	889,495	-	-	889,495
Totals	<u>6,445,469</u>	<u>247,998</u>	<u>193,144</u>	<u>6,500,323</u>
Less accumulated depreciation:				
Buildings and improvements	1,484,689	45,278	-	1,529,967
Furniture and equipment	977,226	56,982	11,300	1,022,908
Vehicles	1,337,134	123,586	179,171	1,281,549
Infrastructure	49,130	22,238	-	71,368
Totals	<u>3,848,179</u>	<u>248,084</u>	<u>190,471</u>	<u>3,905,792</u>
Governmental activities, capital assets, net	<u>\$ 2,597,290</u>	<u>\$ (86)</u>	<u>\$ 2,673</u>	<u>\$ 2,594,531</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 226,518	\$ -	\$ 25,814	\$ 200,704
Construction in progress	31,062	628,223	-	659,285
Capital assets being depreciated:				
Plant and equipment - water	3,125,013	5,482	-	3,130,495
Plant and equipment - sewer	7,357,782	-	-	7,357,782
Plant and equipment - electric	3,047,902	25,814	27,900	3,045,816
Totals	<u>13,788,277</u>	<u>659,519</u>	<u>53,714</u>	<u>14,394,082</u>
Less accumulated depreciation:				
Plant and equipment - water	1,638,139	42,659	-	1,680,798
Plant and equipment - sewer	3,172,280	133,768	-	3,306,048
Plant and equipment - electric	2,070,848	32,337	27,900	2,075,285
Total accumulated depreciation	<u>6,881,267</u>	<u>208,764</u>	<u>27,900</u>	<u>7,062,131</u>
Business-type activities, capital assets, net	<u>\$ 6,907,010</u>	<u>\$ 450,755</u>	<u>\$ 25,814</u>	<u>\$ 7,331,951</u>

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Depreciation expense was charged to governmental activities as follows:

General government	\$ 37,993
Public safety	93,539
Public works	52,235
Sanitation	51,186
Culture and recreation	13,131
Total depreciation	<u>\$ 248,084</u>

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

Water	\$ 42,659
Sewer	133,768
Electric	32,337
Total depreciation	<u>\$ 208,764</u>

(10) Accounts, Salaries, and Other Payables

The accounts, salaries, and other payables consisted of the following at May 31, 2021:

	Governmental Activities	Business-Type Activities	Total
Accounts	\$ 127,761	\$ 150,823	\$ 278,584
Contracts and retainage	-	267,996	267,996
Accrued payroll and related liabilities	53,402	19,416	72,818
Totals	<u>\$ 181,163</u>	<u>\$ 438,235</u>	<u>\$ 619,398</u>

(11) Changes in Long-Term Debt

The following is a summary of the changes for the year ended May 31, 2021:

	06/01/20	Additions	Reductions	05/31/21	Current Portion
Governmental activities:					
Certificates	\$ 222,000	\$ -	\$ 56,000	\$ 166,000	\$ 58,000
Capital lease	58,800	-	14,020	44,780	13,512
Net pension liability	848,643	27,071	-	875,714	-
Totals	<u>\$ 1,129,443</u>	<u>\$ 27,071</u>	<u>\$ 70,020</u>	<u>\$ 1,086,494</u>	<u>\$ 71,512</u>
Business-type activities:					
Revenue bonds	\$ 693,904	\$ -	\$ 33,000	\$ 660,904	\$ 34,000
Net pension liability	430,862	-	57,263	373,599	-
Totals	<u>\$ 1,124,766</u>	<u>\$ -</u>	<u>\$ 90,263</u>	<u>\$ 1,034,503</u>	<u>\$ 34,000</u>

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Long-term debt at May 31, 2021 is comprised of the following:

		<u>Current Portion</u>
Bonds and certificates payable -		
Governmental activities:		
\$262,000 Certificates of Indebtedness, Series 2012, due in one annual installment of \$33,000 on November 1, 2021; interest rate of 2.50%, payable from excess revenues	\$ 33,000	\$ 33,000
\$228,000 Limited Tax Certificates, Series 2017, due in annual installments of \$25,000 to \$28,000 through March 1, 2026, interest rate of 2.77%, payable from excess revenues	<u>133,000</u>	<u>25,000</u>
Total governmental activities	166,000	58,000
Business-type activities:		
\$759,904 Taxable Utilities Revenue Bonds, Series 2017, due in annual installments of \$34,000 to \$48,904 through April 1, 2037, interest rate of 1.95%, payable from utilities system revenues	<u>660,904</u>	<u>34,000</u>
Total bonds and certificates payable	\$ 826,904	\$ 92,000
Capital Lease -		
Governmental activities:		
\$68,144 equipment lease dated September 13, 2019, due in 60 monthly installments of \$1,260, including interest at 4.15 percent, through September 19, 2024, secured by equipment with a carrying value of \$53,239 at May 31, 2021.	<u>\$ 44,780</u>	<u>\$ 13,512</u>

The annual requirements to amortize debt outstanding at May 31, 2021 are as follows:

<u>May 31,</u>	<u>Governmental Activities</u>				<u>Business-Type Activities</u>	
	<u>Certificates</u>		<u>Capital Lease</u>		<u>Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 58,000	\$ 4,132	\$ 13,512	\$ 1,603	\$ 34,000	\$ 12,888
2023	26,000	2,993	14,083	1,032	35,000	12,225
2024	27,000	2,268	14,679	436	36,000	11,542
2025	27,000	1,512	2,506	13	37,000	10,840
2026	28,000	718	-	-	38,000	10,119
2027-2031	-	-	-	-	203,000	39,146
2032-2036	-	-	-	-	229,000	18,340
2037	-	-	-	-	<u>48,904</u>	<u>953</u>
Totals	<u>\$ 166,000</u>	<u>\$ 11,623</u>	<u>\$ 44,780</u>	<u>\$ 3,084</u>	<u>\$ 660,904</u>	<u>\$ 116,053</u>

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

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

General Fund Revenues

Under the terms of the bond ordinances on outstanding 2012 Certificates of Indebtedness and 2017 Limited Tax Certificates, the Town must ensure that the General Fund has sufficient excess annual revenues available to pay such debt service when due. As a result, the Town is required to maintain separate sinking fund accounts within the General Fund for required monthly deposits and debt service payments. Each month, there will be set aside into the accounts an amount constituting 1/12th of the next maturing installment of principal and 1/6th of the interest due on the next interest payment date. Such transfers shall be fully sufficient to assure the prompt payment of the principal and interest installments as they become due and may be used only for such payments.

Utility Revenues

Under the terms of the bond ordinance on outstanding Taxable Utilities Revenue Bonds, Series 2017, as long as any bonds are outstanding, the Town covenants to deposit revenues into a “Utilities System Revenue Fund” sufficient to pay all reasonable and necessary expenses of operating and maintain the system (combined water, sewer, and electric utilities). The Town is required to maintain a separate account that is designated as the “Utilities Revenue Bond and Interest Sinking Fund”. Each month, there will be set aside into the fund an amount constituting a pro-rata amount of the interest due on the next interest payment date and the pro-rata amount of the principal due on the next principal payment date. The Town is also required to maintain a “Utilities Revenue Bond Reserve Fund” for monthly deposits equal to 25% of the amount to be paid into the Sinking Fund until such time as there has been accumulated an amount equal to the reserve fund requirement (\$25,431 at May 31, 2021). Additionally, the Town is required to make monthly deposits of 5% of the preceding month’s net revenues into a “Utilities Depreciation and Contingencies Fund” to fund extensions, additions, improvements, renewals and replacements necessary to operate the system. The deposits into the Contingencies Fund may cease once the sum of \$100,000 has been accumulated.

Pursuant to the bond ordinance, the Town covenants to fix, establish, maintain, and collect revenues sufficient to pay the reasonable and necessary expenses of operating the utilities system, the principal and interest maturing on the bonds, all reserves and sinking fund payments, and to provide excess annual revenues in each fiscal year in an amount equal to at least 125% of the highest combined annual principal and interest requirements on the bonds issued.

The Town was in compliance with all significant limitations and restrictions in the various bond indentures and ordinances as of May 31, 2021.

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

(13) Pension Plans

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

Plan Descriptions:

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

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

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

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

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

¹ With actuarial reduced benefits

² Membership commencing January 1, 2013

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

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

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Contributions

Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems' Actuarial Committee. Contributions of employees, employers, and non-employer contributing entities effective for the year ended May 31, 2021 for the defined benefit pension plans in which the Town is a participating employer were as follows:

<u>Plan</u>	<u>Active Member Contribution Percentage</u>	<u>Employer Contribution Percentage</u>	<u>Nonemployer Contributing Entities</u>	<u>Government Contributions</u>
MERS	5.00%	15.50%	\$ 21,631	\$ 88,586
MPERS	10.00%	33.75%	12,839	48,050
Total			<u>\$ 34,470</u>	<u>\$ 136,636</u>

Net Pension Liability

The Town's net pension liability at May 31, 2021 is comprised of its proportionate share of the net pension liability relating to each of the cost-sharing plans in which the Town is a participating employer. The Town's net pension liability for each plan was measured as of the plan's measurement date (June 30, 2020 for both plans) and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

<u>Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Proportionate Share (%) of Net Pension Liability</u>	<u>Increase/(Decrease) from Prior Measurement Date</u>
MERS	\$ 704,903	0.777844%	-0.043020%
MPERS	544,410	0.058904%	-0.002913%
Total	<u>\$ 1,249,313</u>		

Since the measurement date of the net pension liability was June 30, 2020, the net pension liability is based upon fiduciary net position for each of the plans as of those dates. Detailed information about each pension plan's assets, deferred outflows, deferred inflows, and fiduciary net position that was used in the measurement of the Town's net pension liability is available in the separately issued plan financial reports for those fiscal years. The financial report for each plan may be accessed on their website as follows: MERS – <http://www.mersla.com> ; MPERS – <http://lampers.org/>.

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Actuarial Assumptions

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

	MERS	MPERS
Date of experience study	7/1/2013-6/30/2018	7/1/2014-6/30/2019
Actuarial cost method	Entry Age Normal	Entry Age Normal
Investment rate of return	6.95, net of investment expense	6.95%, net of investment expense
Expected remaining service lives	3	4
Inflation rate	2.5%	2.5%
Projected salary increases	4.9% - 7.4%	4.7% - 12.3%
Projected benefit changes including COLAs	None	None
Source of mortality assumptions	(1), (2), (3)	(4), (5), (6)

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

Cost of Living Adjustments

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

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Discount Rate

The discount rate used to measure the total pension liability for MERS was 6.95%, which was a decrease of 0.05% from the prior year valuation. The discount rate used to measure the total pension liability for MPERS was 6.95%, which was a decrease of 0.175% from the prior year valuation. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, each of the pension plan's fiduciary net positions was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Rate of Return

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

Asset Class	MERS		MPERS	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Public equity	53.00%	2.33%	48.50%	3.08%
Public fixed income	38.00%	1.67%	33.50%	0.54%
Alternative Investments	9.00%	0.40%	18.00%	1.02%
Other	-	-	0.00%	0.00%
Totals	<u>100.00%</u>	<u>4.40%</u>	<u>100.00%</u>	<u>4.64%</u>
Inflation		<u>2.60%</u>		<u>2.55%</u>
Expected arithmetic nominal return		<u>7.00%</u>		<u>7.19%</u>

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

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

Changes in the net pension liability may either be reported in pension expense in the year the change occurred or recognized as a deferred outflow of resources or a deferred inflow of resources in the year the change occurred and amortized into pension expense over a number of years. For the year ended May 31, 2021, the Town recognized \$94,976 and \$31,778 in pension expense related to MERS and MPERS, respectively.

At May 31, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	MERS	MPERS	Total
Difference between expected and actual experience	\$ -	\$ -	\$ -
Changes of assumptions	21,846	12,936	34,782
Change in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	38,741	38,741
Net differences between projected and actual earnings on plan investments	76,529	65,313	141,842
Contributions subsequent to the measurement date	82,690	43,640	126,330
Total	\$ 181,065	\$ 160,630	\$ 341,695

	Deferred Inflows of Resources		
	MERS	MPERS	Total
Difference between expected and actual experience	\$ 11,861	\$ 21,444	\$ 33,305
Changes of assumptions	-	13,435	13,435
Change in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	25,192	18,009	43,201
Total	\$ 37,053	\$ 52,888	\$ 89,941

Deferred outflows of resources of \$126,330 resulting from the employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability during the subsequent year. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions to be recognized in pension expense are as follows:

Year Ended	MERS	MPERS	Total
May 31,			
2022	\$ 21,399	\$ 17,666	\$ 39,065
2023	11,278	27,819	39,097
2024	17,435	6,213	23,648
2025	11,210	12,404	23,614
	\$ 61,322	\$ 64,102	\$ 125,424

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

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

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

Plan	Current Discount Rate	Net Pension Liability		
		1% Decrease	Current Discount Rate	1% Increase
MERS	6.95%	\$ 938,357	\$ 704,903	\$ 507,368
MPERS	6.95%	764,838	544,410	360,141
Total		<u>\$1,703,195</u>	<u>\$ 1,249,313</u>	<u>\$ 867,509</u>

Payables to the Pension Plans

At May 31, 2021, the Town's payables were \$8,507 and \$4,488 to MERS and MPERS, respectively, for the month of May 2021, which were the contractually required contributions.

(14) Interfund Transactions

A. Receivables and Payables

Interfund receivables and payables consisted of the following at May 31, 2021:

	Interfund Receivables	Interfund Payables
Major Funds:		
Governmental Funds:		
General Fund	\$3,128,377	\$ 272,983
1996 Sales Tax Fund	279,633	-
Enterprise Fund:		
Water Utility Fund	1,288,469	1,055,215
Sewer Utility Fund	978,242	892,182
Electric Utility Fund	637	3,445,157
Nonmajor Funds	88	9,909
Total	<u>\$5,675,446</u>	<u>\$5,675,446</u>

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

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

B. Interfund transfers

Interfund transfers consisted of the following at May 31, 2021:

	Interfund Transfers In	Interfund Transfers Out
Major Funds:		
Governmental Funds:		
General Fund	\$ 309,000	\$ -
Proprietary Funds:		
Water Utility Fund	58,431	-
Sewer Utility Fund	-	1,250,000
Electric Utility Fund	1,250,000	367,431
Total	\$ 1,617,431	\$ 1,617,431

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

(15) Risk Management

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

(16) Contingencies

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

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

(17) Deficit Fund Balance

As May 31, 2021, there was a deficit fund balance of \$4,486 in the Drug Seizure Fund. The Town plans to reduce the deficit fund balance with a transfer from the General Fund.

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

(18) Landfill Joint Venture

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

<u>Locality</u>	<u>Number of Households</u>	<u>Percentages</u>
Jennings	4,161	0.421196
Welsh	1,167	0.118129
Lake Arthur	1,212	0.122684
Parish (excluding Jennings, Welsh, Lake Arthur and Elton)	<u>3,339</u>	<u>0.337991</u>
Total	<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, 2020 (the latest available audited financial statements) was as follows:

	<u>Total</u>	<u>Welsh (11.8129%)</u>
Total assets and deferred outflows of resources	\$ 5,954,800	\$ 703,435
Total liabilities and deferred inflows of resources	70,292	8,304
Total net position	5,884,508	695,131
Total liabilities, deferred inflows of resources, and net position	5,954,800	703,435
Total revenue	2,629,054	310,568
Total expenditures	2,441,078	288,362
Net decrease in net position	187,976	22,205

As of December 31, 2020, the Commission had no long-term debt outstanding.

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

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

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

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

(19) Compensation of Town Alderman

The compensation paid to the alderman for the year ended May 31, 2021 follows:

Clint Hardy (1/1/21 - 5/31/21)	\$ 1,500
Ronnie Hayes (1/1/21 - 5/31/21)	1,500
Andrea King (6/1/20 - 5/31/21)	3,600
Lawrence Mier (6/1/20 - 5/31/21)	3,600
Jackie Palmer (6/1/20 - 5/31/21)	3,600
J. Colby Perry (6/1/20 - 12/31/20)	2,100
Rodney Trahan (6/1/20 - 12/31/20)	2,100
Total	<u>\$ 18,000</u>

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

The schedule of compensation, benefits, and other payments to the Mayor for the year ended May 31, 2021 follows:

	<u>(6/1/20-12/31/20)</u>	<u>(1/1/21-5/31/21)</u>
	Carolyn <u>Louviere</u>	Karl <u>Arceneaux</u>
Salary	\$ 10,500	\$ 7,500
Benefits - payroll taxes	855	607
Membership dues	627	-
Total	<u>\$ 11,982</u>	<u>\$ 8,107</u>

TOWN OF WELSH, LOUISIANA

Notes to Basic Financial Statements (Continued)

(21) Schedule of Expenditures of Federal Awards (SEFA)

Non-federal entities must record expenditures on the Schedule of Expenditures of Federal Awards (SEFA) when: (1) FEMA has approved the non-federal entity's project worksheet (PW), and (2) the non-federal entity has incurred the eligible expenditures.

During the year ending May 31, 2021, the Town incurred eligible expenditures for FEMA Disaster Reimbursements for Hurricane Laura and Hurricane Delta, however the project worksheets (PW) have not been approved. Therefore, the expected FEMA Disaster Reimbursements and eligible expenditures that were incurred are required to be reported in the financial statements but not included in the Schedule of Expenditures of Federal Awards (SEFA). All other federal financial assistance received by the Town were less than the reporting threshold of \$750,000.

(22) New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following statements which were not required to be implemented by the Government during the fiscal year.

- GASB Statement No. 87, "Leases." The requirements of this Statement are effective for fiscal years beginning after June 30, 2022.
- GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period." The requirements of this Statement are effective for fiscal years beginning after December 31, 2021.

The effect of implementation of these new pronouncements on the Government's financial statements has not yet been determined.

(23) Uncertainties Arising During and After Financial Statement Date

As a result of the spread of the COVID-19 Coronavirus, economic uncertainties have arisen which may have and continue to impact the Town's ongoing operations. The extent and severity of the potential impact on future operations is unknown at this time.

On August 27, 2020, Hurricane Laura, a category 4 storm, made landfall in Southwest Louisiana and on October 9, 2020, Hurricane Delta, a category 2 storm also made landfall in nearly the same location. The State of Louisiana issued States of Emergencies for both storms. The Town is included in FEMA's major disaster declaration following both storms. The Town suffered significant impacts from both storms to its operations and the businesses and individuals within the Town. The full extent of the financial impact of these storms are unknown. The Town will apply for various reimbursements for hurricane expenses and various losses incurred and sustained during the fiscal year ended May 31, 2021.

**REQUIRED
SUPPLEMENTARY INFORMATION**

TOWN OF WELSH, LOUISIANA
General Fund

Budgetary Comparison Schedule
For the Year Ended May 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes	\$ 648,800	\$ 762,500	\$ 800,354	\$ 37,854
Licenses and permits	146,450	146,570	165,951	19,381
Intergovernmental	100,000	329,950	323,165	(6,785)
Charges for services	510,350	500,450	515,422	14,972
Fines and forfeitures	255,100	315,150	328,968	13,818
Jeff Davis Sanitary Landfill	300,000	220,000	209,040	(10,960)
Miscellaneous	34,950	63,900	100,340	36,440
Total revenues	<u>1,995,650</u>	<u>2,338,520</u>	<u>2,443,240</u>	<u>104,720</u>
Expenditures:				
Current -				
General government	476,244	519,644	465,069	54,575
Public safety	1,421,052	1,430,602	1,452,357	(21,755)
Culture and recreation	130,316	191,116	139,874	51,242
Sanitation	105,988	111,988	130,048	(18,060)
Capital outlay	228,325	274,043	243,953	30,090
Debt service	29,379	61,389	61,389	-
Total expenditures	<u>2,391,304</u>	<u>2,588,782</u>	<u>2,492,690</u>	<u>96,092</u>
Deficiency of revenues over expenditures	(395,654)	(250,262)	(49,450)	200,812
Other financing sources:				
Transfers in	<u>309,000</u>	<u>309,000</u>	<u>309,000</u>	<u>-</u>
Net change in fund balance	(86,654)	58,738	259,550	200,812
Fund balance, beginning	<u>3,456,302</u>	<u>3,456,302</u>	<u>3,456,302</u>	<u>-</u>
Fund balance, ending	<u>\$3,369,648</u>	<u>\$3,515,040</u>	<u>\$3,715,852</u>	<u>\$ 200,812</u>

TOWN OF WELSH, LOUISIANA
1996 Sales Tax Fund

Budgetary Comparison Schedule
For the Year Ended May 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes -sales	\$ 500,000	\$ 600,000	\$ 641,589	\$ 41,589
Miscellaneous:				
Interest	4,493	4,500	3,199	(1,301)
Other	-	-	2,849	2,849
Total miscellaneous	4,493	4,500	6,048	1,548
Total revenues	504,493	604,500	647,637	43,137
Expenditures:				
Current -				
General government				
Collection fees	-	15,000	14,310	690
Legal and professional fees	11,400	11,400	8,335	3,065
Insurance	-	-	686	(686)
Miscellaneous	-	-	28	(28)
Total general government	11,400	26,400	23,359	3,041
Public works				
Salaries	160,605	175,605	182,293	(6,688)
Payroll taxes	13,448	13,448	14,559	(1,111)
Retirement	24,901	24,901	21,984	2,917
Group insurance	38,726	38,726	38,095	631
Insurance	32,890	32,890	36,386	(3,496)
Utilities and telephone	100	2,200	28,344	(26,144)
Repairs and maintenance	185,000	169,325	68,070	101,255
Supplies	18,500	19,000	40,718	(21,718)
Legal and professional fees	40,000	40,000	40,637	(637)
Uniforms	5,215	5,215	3,530	1,685
Total public works	519,385	521,310	474,616	46,694
Capital outlay	15,120	15,120	4,045	11,075
Debt service				
Principal	-	14,020	14,020	-
Interest	-	2,355	2,355	-
Total debt service	-	16,375	16,375	-
Total expenditures	545,905	579,205	518,395	60,810
Net change in fund balance	(41,412)	25,295	129,242	103,947
Fund balance, beginning	1,043,522	1,043,522	1,043,522	-
Fund balance, ending	\$1,002,110	\$1,068,817	\$1,172,764	\$ 103,947

TOWN OF WELSH, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
For the Year Ended May 31, 2021*

Plan Year	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Municipal Employees Retirement System					
2020	0.777844%	\$ 704,903	\$ 600,462	117.4%	66.26%
2019	0.820864%	718,103	627,516	114.4%	66.14%
2018	0.834175%	705,572	618,071	114.2%	65.60%
2017	0.864012%	747,572	692,241	108.0%	63.49%
2016	0.940167%	779,312	750,742	103.8%	63.34%
2015	0.826355%	561,630	615,096	91.3%	68.71%
2014	0.759760%	365,705	602,801	60.7%	76.94%
Municipal Police Employees Retirement System					
2020	0.058904%	\$ 544,410	\$ 181,938	299.2%	70.94%
2019	0.061817%	561,402	187,266	299.8%	71.01%
2018	0.053079%	448,733	156,644	286.5%	71.89%
2017	0.050872%	444,134	151,502	293.2%	70.08%
2016	0.089202%	836,074	244,759	341.6%	66.04%
2015	0.876220%	597,104	210,559	283.6%	70.73%
2014	0.074672%	467,154	185,254	252.2%	75.10%

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

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

TOWN OF WELSH, LOUISIANA

Schedule of Employer Pension Contributions
For the Year Ended May 31, 2021

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

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

TOWN OF WELSH

Notes to the Required Supplementary Information For the Year Ended May 31, 2021

(1) Budget and Budgetary Accounting

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

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

(2) Excess Expenditures Over Appropriations

For the year ended May 31, 2021, the General Fund had actual expenditures over appropriations as follows:

	Final Budget	Actual	Excess
Public safety	\$ 1,430,602	\$ 1,452,357	\$ (21,755)
Sanitation	111,988	130,048	(18,060)

(3) Pension Plans

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

OTHER SUPPLEMENTARY INFORMATION

TOWN OF WELSH, LOUISIANA

Statement of Net Position
 May 31, 2021
 With Comparative Totals as of May 31, 2020

	2021			2020 Totals
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current assets:				
Cash and interest-bearing deposits	\$ 1,228,659	\$ 611,794	\$ 1,840,453	\$ 2,103,390
Investments	94,335	727,814	822,149	756,061
Receivables, net	63,004	230,298	293,302	422,054
Internal balances	3,125,206	(3,125,206)	-	-
Due from other governmental units	106,564	1,256,069	1,362,633	-
Inventories	-	193,719	193,719	149,845
Total current assets	<u>4,617,768</u>	<u>(105,512)</u>	<u>4,512,256</u>	<u>3,431,350</u>
Noncurrent assets:				
Restricted assets -				
Cash and interest-bearing deposits	125,576	137,093	262,669	198,141
Investments	323,388	46,348	369,736	1,022,723
Capital assets -				
Land and construction in progress	67,599	859,989	927,588	325,179
Capital assets, net	<u>2,526,932</u>	<u>6,471,962</u>	<u>8,998,894</u>	<u>9,179,121</u>
Total noncurrent assets	<u>3,043,495</u>	<u>7,515,392</u>	<u>10,558,887</u>	<u>10,725,164</u>
Total assets	<u>7,661,263</u>	<u>7,409,880</u>	<u>15,071,143</u>	<u>14,156,514</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	<u>245,731</u>	<u>95,964</u>	<u>341,695</u>	<u>383,884</u>
LIABILITIES				
Current liabilities:				
Accounts, salaries, and other payables	181,163	438,235	619,398	320,038
Customer deposits	-	72,129	72,129	73,728
Capital lease payable	13,512	-	13,512	12,919
Bonds and certificates payable	58,000	34,000	92,000	88,000
Accrued interest	-	2,148	2,148	2,568
Total current liabilities	<u>252,675</u>	<u>546,512</u>	<u>799,187</u>	<u>497,253</u>
Noncurrent liabilities:				
Capital lease payable	31,268	-	31,268	45,881
Bonds and certificates payable	108,000	626,904	734,904	827,904
Net pension liability	<u>875,714</u>	<u>373,599</u>	<u>1,249,313</u>	<u>1,279,505</u>
Total noncurrent liabilities	<u>1,014,982</u>	<u>1,000,503</u>	<u>2,015,485</u>	<u>2,153,290</u>
Total liabilities	<u>1,267,657</u>	<u>1,547,015</u>	<u>2,814,672</u>	<u>2,650,543</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	<u>70,303</u>	<u>19,638</u>	<u>89,941</u>	<u>146,289</u>
NET POSITION				
Net investment in capital assets	2,383,751	6,608,329	8,992,080	8,562,596
Restricted:				
Sales tax dedications	1,172,764	-	1,172,764	1,043,522
Debt service	-	69,230	69,230	69,826
Unrestricted (deficit)	<u>3,012,519</u>	<u>(738,368)</u>	<u>2,274,151</u>	<u>2,067,622</u>
Total net position	<u>\$ 6,569,034</u>	<u>\$ 5,939,191</u>	<u>\$ 12,508,225</u>	<u>\$ 11,743,566</u>

TOWN OF WELSH, LOUISIANA
General Fund

Budgetary Comparison Schedule - Revenues
For the Year Ended May 31, 2021
With Comparative Actual Amounts for the Year Ended May 31, 2020

	2021			Variance with Final Budget Positive (Negative)	2020 Actual
	Budget		Actual		
	Original	Final			
Revenues:					
Taxes -					
Ad valorem	\$ 109,000	\$ 109,000	\$ 110,796	\$ 1,796	\$ 106,367
Payments in lieu of taxes	8,000	8,300	8,438	138	8,290
Sales	500,000	600,000	641,589	41,589	482,362
Franchise	31,800	45,200	39,531	(5,669)	24,066
Total taxes	<u>648,800</u>	<u>762,500</u>	<u>800,354</u>	<u>37,854</u>	<u>621,085</u>
Licenses and permits -					
Occupational licenses	128,000	128,000	147,938	19,938	126,251
Insurance licenses	13,100	13,220	13,113	(107)	13,192
Liquor licenses	5,350	5,350	4,900	(450)	4,575
Total licenses and permits	<u>146,450</u>	<u>146,570</u>	<u>165,951</u>	<u>19,381</u>	<u>144,018</u>
Intergovernmental -					
Federal - CARES Act	-	229,950	229,939	(11)	-
State:					
Supplemental pay	86,000	86,000	78,084	(7,916)	84,707
State revenue sharing	9,000	9,000	9,288	288	9,513
Beer tax	5,000	5,000	5,854	854	5,019
Total intergovernmental	<u>100,000</u>	<u>329,950</u>	<u>323,165</u>	<u>(6,785)</u>	<u>99,239</u>
Charges for services -					
Garbage	347,000	347,000	342,865	(4,135)	346,821
Recreation	105,000	90,000	91,080	1,080	135,704
Tourism center	58,350	63,450	81,477	18,027	77,921
Total charges for services	<u>510,350</u>	<u>500,450</u>	<u>515,422</u>	<u>14,972</u>	<u>560,446</u>
Fines and forfeits	<u>255,100</u>	<u>315,150</u>	<u>328,968</u>	<u>13,818</u>	<u>441,827</u>
Jeff Davis Sanitary Landfill	<u>300,000</u>	<u>220,000</u>	<u>209,040</u>	<u>(10,960)</u>	<u>175,158</u>
Miscellaneous -					
Interest	18,000	5,000	4,073	(927)	20,183
Other	16,950	58,900	96,267	37,367	22,266
Total miscellaneous	<u>34,950</u>	<u>63,900</u>	<u>100,340</u>	<u>36,440</u>	<u>42,449</u>
Total revenues	<u><u>\$1,995,650</u></u>	<u><u>\$ 2,338,520</u></u>	<u><u>\$2,443,240</u></u>	<u><u>\$104,720</u></u>	<u><u>\$2,084,222</u></u>

TOWN OF WELSH, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures
For the Year Ended May 31, 2021
With Comparative Actual Amounts for the Year Ended May 31, 2020

	2021			Variance with Final Budget Positive (Negative)	2020 Actual
	Budget		Actual		
	Original	Final			
Current:					
General government -					
Salaries	\$ 128,865	\$ 132,665	\$ 132,956	\$ (291)	\$ 130,967
Payroll taxes	9,839	9,839	10,400	(561)	9,578
Retirement	12,025	12,025	12,202	(177)	10,433
Group insurance	25,820	25,820	24,215	1,605	23,348
Contract services	13,600	13,600	18,264	(4,664)	15,688
Insurance	35,520	34,220	26,682	7,538	30,910
Utilities and telephone	23,870	23,570	25,341	(1,771)	24,585
Repairs and maintenance	42,200	74,200	22,843	51,357	13,526
Supplies	4,900	5,900	5,775	125	5,302
Legal and professional fees	140,200	141,450	135,001	6,449	131,242
Travel and conferences	7,675	7,675	716	6,959	7,298
Uniforms	1,500	1,500	1,312	188	681
Rent	8,000	8,000	18,564	(10,564)	8,642
Advertising	4,400	4,400	3,571	829	4,377
Office supplies	8,730	8,730	8,913	(183)	6,952
Miscellaneous	13,850	16,050	18,314	(2,264)	18,771
Total general government	480,994	519,644	465,069	54,575	442,300
Public safety -					
Police:					
Salaries	814,200	814,200	806,059	8,141	773,718
Payroll taxes	58,250	58,250	62,622	(4,372)	57,819
Retirement	58,875	58,875	47,879	10,996	62,731
Group insurance	145,223	145,223	127,107	18,116	105,428
Insurance	85,525	85,525	69,101	16,424	93,608
Utilities and telephone	28,300	28,300	34,231	(5,931)	23,364
Repairs and maintenance	53,100	53,100	70,287	(17,187)	81,313
Supplies	47,000	47,000	63,011	(16,011)	48,950
Legal and professional fees	4,900	4,900	5,016	(116)	8,684
Travel and conferences	7,750	7,750	2,018	5,732	4,876
Uniforms	2,600	2,600	5,135	(2,535)	3,126
Rent	5,000	5,000	4,847	153	4,480
Advertising	300	300	424	(124)	305
Office supplies	2,200	2,200	8,317	(6,117)	1,942
Prisoner	14,700	14,700	6,855	7,845	14,231
K-9 expenses	850	850	1,642	(792)	3,307
Miscellaneous	650	650	3,189	(2,539)	(5,621)
Total police	1,329,423	1,329,423	1,317,740	11,683	1,282,261

TOWN OF WELSH, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures (Continued)
For the Year Ended May 31, 2021
With Comparative Actual Amounts for the Year Ended May 31, 2020

	2021		Actual	Variance with Final Budget Positive (Negative)	2020 Actual
	Budget				
	Original	Final			
Fire:					
Salaries	16,800	16,800	16,800		16,800
Payroll taxes	1,300	1,300	1,325	(25)	1,285
Insurance	20,049	20,049	33,272	(13,223)	33,314
Utilities and telephone	3,100	3,100	2,945	155	2,804
Repairs and maintenance	16,650	21,650	20,572	1,078	34,878
Supplies	3,600	5,500	7,541	(2,041)	6,686
Legal and professional fees	28,000	28,000	49,467	(21,467)	22,052
Travel and conferences	1,500	1,500	-	1,500	800
Uniforms	900	900	341	559	176
Miscellaneous	230	2,380	2,354	26	225
Total fire	<u>92,129</u>	<u>101,179</u>	<u>134,617</u>	<u>(33,438)</u>	<u>119,020</u>
Total public safety	<u>1,421,552</u>	<u>1,430,602</u>	<u>1,452,357</u>	<u>(21,755)</u>	<u>1,401,281</u>
Culture and recreation -					
Salaries	48,997	48,997	26,018	22,979	29,578
Payroll taxes	3,743	3,743	2,034	1,709	2,305
Retirement	7,606	7,606	3,032	4,574	4,156
Group insurance	19,364	19,364	8,108	11,256	8,093
Contract services	5,000	15,000	30,919	(15,919)	1,400
Insurance	11,681	11,681	10,736	945	10,407
Utilities and telephone	7,750	10,050	10,362	(312)	6,923
Repairs and maintenance	9,500	48,100	30,834	17,266	10,704
Supplies	9,650	9,650	7,361	2,289	12,182
Legal and professional fees	500	10,400	3,708	6,692	150
Uniforms	5,200	5,200	5,153	47	2,821
Office supplies	225	225	509	(284)	624
Miscellaneous	1,100	1,100	1,100	-	1,600
Total culture and recreation	<u>130,316</u>	<u>191,116</u>	<u>139,874</u>	<u>51,242</u>	<u>90,943</u>
Sanitation -					
Salaries	33,564	35,064	34,906	158	23,351
Payroll taxes	2,648	2,648	2,709	(61)	1,828
Retirement	4,997	4,997	4,891	106	3,079
Group insurance	9,682	9,682	9,734	(52)	6,069
Insurance	14,697	15,897	15,862	35	13,280
Repairs and maintenance	15,000	15,000	23,642	(8,642)	31,369
Supplies	10,400	11,200	22,395	(11,195)	9,138

(continued)

TOWN OF WELSH, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures (Continued)
For the Year Ended May 31, 2021
With Comparative Actual Amounts for the Year Ended May 31, 2020

	2021				
	Budget		Actual	Variance with Final Budget Positive (Negative)	2020 Actual
	Original	Final			
Legal and professional fees	900	3,400	2,989	411	3,002
Uniforms	1,100	1,100	1,054	46	651
Office supplies	-	-	22	(22)	118
Miscellaneous	<u>13,000</u>	<u>13,000</u>	<u>11,844</u>	<u>1,156</u>	<u>13,420</u>
Total sanitation	<u>105,988</u>	<u>111,988</u>	<u>130,048</u>	<u>(18,060)</u>	<u>105,305</u>
Capital outlay	<u>262,053</u>	<u>274,043</u>	<u>243,953</u>	<u>30,090</u>	<u>201,907</u>
Debt service:					
Principal retirement	25,000	56,000	56,000	-	54,000
Interest	<u>4,379</u>	<u>5,389</u>	<u>5,389</u>	-	<u>6,988</u>
Total debt service	<u>29,379</u>	<u>61,389</u>	<u>61,389</u>	-	<u>60,988</u>
Total expenditures	<u>\$2,430,282</u>	<u>\$2,588,782</u>	<u>\$2,492,690</u>	<u>\$ 96,092</u>	<u>\$2,302,724</u>

**NON MAJOR GOVERNMENTAL
FUND DESCRIPTIONS**

LCDBG

To account for the receipt and subsequent disbursement of LCDBG grant funds for governmental various projects.

DRUG SEIZURE

This fund is used to account for proceeds and distribution of monies obtained under the provisions of Revised Statute 40:2616, "Seizure and Controlled Dangerous Substances Property Forfeiture Act of 1989".

TOWN OF WELSH, LOUISIANA
Nonmajor Governmental Funds

Combining Balance Sheet
May 31, 2021

	LCDBG	Drug Seizure	Total
ASSETS			
Cash	\$ 1,351	\$ 5,423	\$ 6,774
Due from other funds	88	-	88
Total assets	\$ 1,439	\$ 5,423	\$ 6,862
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ -	\$ 9,909	\$ 9,909
Fund balances:			
Unassigned	1,439	(4,486)	(3,047)
Total liabilities and fund balances	\$ 1,439	\$ 5,423	\$ 6,862

TOWN OF WELSH, LOUISIANA
Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended May 31, 2021

	LCDBG	Drug Seizure	Total
Revenues:			
Interest	\$ -	\$ 3	\$ 3
Expenditures:	-	-	-
Excess of revenues over expenditures	-	3	3
Fund balances, beginning	1,439	(4,489)	(3,050)
Fund balances, ending	\$ 1,439	\$ (4,486)	\$ (3,047)

TOWN OF WELSH, LOUISIANA

Statement of Net Position
Enterprise Funds
May 31, 2021
With Comparative Totals at May 31, 2020

	Utility Funds			Total	
	Water Utility Fund	Sewer Utility Fund	Electric Utility Fund	2021	2020
ASSETS					
Current assets:					
Cash and interest-bearing deposits	\$ 327	\$ -	\$ 611,467	\$ 611,794	\$ 927,913
Investments	-	-	727,814	727,814	718,292
Accounts receivable, net	29,490	23,201	177,607	230,298	249,375
Due from other governmental agencies	171,278	-	1,084,791	1,256,069	-
Due from other funds	1,288,469	978,242	637	2,267,348	3,224,253
Inventory	24,164	-	169,555	193,719	149,845
Total current assets	<u>1,513,728</u>	<u>1,001,443</u>	<u>2,771,871</u>	<u>5,287,042</u>	<u>5,269,678</u>
Noncurrent assets:					
Restricted assets -					
Cash and interest-bearing deposits	111,312	-	25,781	137,093	130,268
Investments	-	-	46,348	46,348	54,788
Capital assets -					
Land and construction in progress	659,285	128,205	72,499	859,989	257,580
Capital assets, net	<u>1,449,697</u>	<u>4,051,734</u>	<u>970,531</u>	<u>6,471,962</u>	<u>6,649,430</u>
Total noncurrent assets	<u>2,220,294</u>	<u>4,179,939</u>	<u>1,115,159</u>	<u>7,515,392</u>	<u>7,092,066</u>
Total assets	<u>3,734,022</u>	<u>5,181,382</u>	<u>3,887,030</u>	<u>12,802,434</u>	<u>12,361,744</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	<u>31,309</u>	<u>12,895</u>	<u>51,760</u>	<u>95,964</u>	<u>118,215</u>
LIABILITIES					
Current liabilities:					
Accounts payable	-	-	150,823	150,823	152,546
Accrued liabilities	6,991	2,910	9,515	19,416	31,283
Contracts payable	246,946	-	-	246,946	-
Retainage payable	21,050	-	-	21,050	-
Due to other funds	1,055,215	892,182	3,445,157	5,392,554	5,435,503
Payable from restricted assets -					
Customer deposits	-	-	72,129	72,129	73,728
Revenue bonds payable	34,000	-	-	34,000	33,000
Interest payable	2,148	-	-	2,148	2,568
Total current liabilities	<u>1,366,350</u>	<u>895,092</u>	<u>3,677,624</u>	<u>5,939,066</u>	<u>5,728,628</u>
Noncurrent liabilities:					
Revenue bonds payable	626,904	-	-	626,904	660,904
Net pension liability	<u>120,233</u>	<u>49,885</u>	<u>203,481</u>	<u>373,599</u>	<u>430,862</u>
Total noncurrent liabilities	<u>747,137</u>	<u>49,885</u>	<u>203,481</u>	<u>1,000,503</u>	<u>1,091,766</u>
Total liabilities	<u>2,113,487</u>	<u>944,977</u>	<u>3,881,105</u>	<u>6,939,569</u>	<u>6,820,394</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	<u>6,841</u>	<u>2,707</u>	<u>10,090</u>	<u>19,638</u>	<u>33,031</u>
NET POSITION					
Net investment in capital assets	1,385,360	4,179,939	1,043,030	6,608,329	6,246,106
Restricted for debt service	69,230	-	-	69,230	69,826
Unrestricted (deficit)	<u>190,413</u>	<u>66,654</u>	<u>(995,435)</u>	<u>(738,368)</u>	<u>(689,398)</u>
Total net position	<u>\$1,645,003</u>	<u>\$4,246,593</u>	<u>\$ 47,595</u>	<u>\$5,939,191</u>	<u>\$5,626,534</u>

TOWN OF WELSH, LOUISIANA
Enterprise Funds
Utility Funds

Comparative Statements of Revenues, Expenses, and Changes in Fund Net Position
For the Years Ended May 31, 2021 and 2020

	Water Utility Fund		Sewer Utility Fund	
	2021	2020	2021	2020
Operating revenues:				
Charges for services	\$ 312,099	\$ 292,158	\$ 408,202	\$ 296,754
Miscellaneous	<u>14,548</u>	<u>2,750</u>	<u>2,700</u>	<u>1,250</u>
Total operating revenues	<u>326,647</u>	<u>294,908</u>	<u>410,902</u>	<u>298,004</u>
Operating expenses:				
Salaries	123,857	126,070	53,126	54,404
Payroll taxes	9,699	9,496	4,117	4,135
Retirement	2,498	25,503	1,461	13,184
Group insurance	24,556	27,239	10,061	14,650
Contract services	-	-	-	-
Insurance	20,061	15,295	21,544	24,475
Utilities and telephone	16,411	15,920	47,510	52,873
Repairs and maintenance	20,081	28,810	31,042	32,858
Supplies	81,585	49,545	25,012	12,995
Legal and professional fees	25,958	87,192	126,900	78,124
Travel and conferences	790	635	-	-
Uniforms	2,299	1,974	2,003	1,881
Office supplies	2,451	4,489	144	175
Power purchased	-	-	-	-
Depreciation	42,659	43,924	133,768	132,675
Bad debts	-	-	-	-
Chemicals	43,140	44,894	9,965	8,393
Miscellaneous	<u>2,396</u>	<u>1,723</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>418,441</u>	<u>482,709</u>	<u>466,653</u>	<u>430,822</u>
Operating income (loss)	<u>(91,794)</u>	<u>(187,801)</u>	<u>(55,751)</u>	<u>(132,818)</u>
Non-operating revenues (expenses):				
Investment income	-	-	-	-
Interest expense	(13,375)	(19,743)	-	-
Hurricane expenses	-	-	-	-
FEMA grant revenue	-	-	-	-
Non-employer pension contribution	3,245	4,112	1,514	1,731
Grant revenue	<u>16,929</u>	<u>17,015</u>	<u>-</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>6,799</u>	<u>1,384</u>	<u>1,514</u>	<u>1,731</u>
Income (loss) before contributions and transfers	<u>(84,995)</u>	<u>(186,417)</u>	<u>(54,237)</u>	<u>(131,087)</u>
Capital contributions	<u>369,469</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers:				
Transfers in	58,431	62,042	-	-
Transfers out	-	-	(1,250,000)	-
Total transfers	<u>58,431</u>	<u>62,042</u>	<u>(1,250,000)</u>	<u>-</u>
Change in net position	342,905	(124,375)	(1,304,237)	(131,087)
Net position (deficit), beginning	<u>1,302,098</u>	<u>1,426,473</u>	<u>5,550,830</u>	<u>5,681,919</u>
Net position (deficit), ending	<u>\$ 1,645,003</u>	<u>\$ 1,302,098</u>	<u>\$ 4,246,593</u>	<u>\$ 5,550,832</u>

Electric Utility Fund		Totals	
2021	2020	2021	2020
\$ 2,691,046	\$ 2,751,956	\$ 3,411,347	\$ 3,340,868
<u>35,511</u>	<u>23,625</u>	<u>52,759</u>	<u>27,625</u>
<u>2,726,557</u>	<u>2,775,581</u>	<u>3,464,106</u>	<u>3,368,493</u>
225,995	222,610	402,978	403,084
17,730	17,175	31,546	30,806
5,526	49,224	9,485	87,911
33,586	36,193	68,203	78,082
-	32,377	-	32,377
26,009	42,383	67,614	82,153
4,209	5,514	68,130	74,307
17,007	22,128	68,130	83,796
76,411	37,950	183,008	100,490
4,304	45,373	157,162	210,689
48,571	114	49,361	749
3,589	4,264	7,891	8,119
8,713	9,218	11,308	13,882
1,807,999	1,785,746	1,807,999	1,785,746
32,337	33,064	208,764	209,663
16,771	18,459	16,771	18,459
-	-	53,105	53,287
<u>14,990</u>	<u>1,701</u>	<u>17,386</u>	<u>3,424</u>
<u>2,343,747</u>	<u>2,363,493</u>	<u>3,228,841</u>	<u>3,277,024</u>
<u>382,810</u>	<u>412,088</u>	<u>235,265</u>	<u>91,469</u>
1,905	12,867	1,905	12,867
-	-	(13,375)	(19,743)
(1,084,791)	-	(1,084,791)	-
1,084,791	-	1,084,791	-
6,705	7,644	11,464	13,487
-	-	16,929	17,015
<u>8,610</u>	<u>20,511</u>	<u>16,923</u>	<u>23,626</u>
<u>391,420</u>	<u>432,599</u>	<u>252,188</u>	<u>115,095</u>
-	-	369,469	-
1,250,000	-	1,308,431	62,042
<u>(367,431)</u>	<u>(362,042)</u>	<u>(1,617,431)</u>	<u>(362,042)</u>
<u>882,569</u>	<u>(362,042)</u>	<u>(309,000)</u>	<u>(300,000)</u>
1,273,989	70,557	312,657	(184,905)
<u>(1,226,394)</u>	<u>(1,296,953)</u>	<u>5,626,534</u>	<u>5,811,439</u>
<u>\$ 47,595</u>	<u>\$ (1,226,396)</u>	<u>\$ 5,939,191</u>	<u>\$ 5,626,534</u>

TOWN OF WELSH, LOUISIANA
LCDBG Water System Improvement Project

Schedule of Net Position
May 31, 2021

Assets:	
Due from other governmental unites	\$ 171,278
 Liabilities:	
Contracts payable	<u>171,278</u>
 Net Position	 <u>\$ -</u>

TOWN OF WELSH, LOUISIANA
LCDBG Water System Improvement Project

Schedule of Revenues, Expenses, and Change in Net Position
For the Year Ended May 31, 2021

Revenues:	
LCDBG program	\$ 369,469
Expenses:	
Construction	<u>369,469</u>
Change in net position	\$ -
Net position, beginning of year	<u>-</u>
Net position end of year	<u>\$ -</u>

TOWN OF WELSH, LOUISIANA
Justice System Funding Schedule - Collecting/Disbursing Entity
Year Ended May 31, 2021

	First Six Month Period Ended 11/30/2020	Second Six Month Period Ended 5/31/2021
Beginning Balance of Amounts Collected	\$ 2,834	\$ 3,970
Add: Collections -		
Civil Fees	-	-
Bond Fees	-	-
Asset Forfeiture/Sale	-	-
Pre-Trial Diversion Program Fees	-	-
Criminal Court Costs/Fees	-	-
Criminal Fines - Contempt	-	-
Criminal Fines - Other	22,053	20,934
Restitution	-	-
Probation/Parole/Supervision Fees	-	-
Service/Collection Fees	18,344	18,810
Interest Earnings on Collected Balances	-	-
Other	-	-
Subtotal Collections	<u>40,397</u>	<u>39,744</u>
Less: Disbursements to Governments and Nonprofits -		
Indigent Defender Fund - Criminal Fines	10,940	11,550
Louisiana Commission on Law Enforcement - Criminal Fines	2,294	2,434
Louisiana State Treasurer CMIS - Criminal Fines	3,288	3,496
LA Dept of Health & Hospitals THI/SCI - Criminal Fines	3,463	3,940
LA Association of Chiefs of Police	2	-
Louisiana Supreme Court - Criminal Fines	547	581
Less: Amounts Retained by Collecting Agency		
Amounts "Self-Disbursed" to Collecting Agency - Criminal Fines Other	18,344	18,500
Less: Disbursements to Individuals/3rd Party Collection or Processing Agencies -		
Refunds	<u>383</u>	<u>642</u>
Subtotal Disbursements/Retainage	<u>39,261</u>	<u>41,143</u>
Ending Balance of Amounts Collected but not Disbursed/Retained	<u>\$ 3,970</u>	<u>\$ 2,571</u>

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

KOLDER, SLAVEN & COMPANY, LLC

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Welsh, Louisiana (the Town), as of and for the year ended May 31, 2021, and the related notes to the financial statements, which collectively comprise the Town of Welsh, Louisiana's basic financial statements and have issued our report thereon dated September 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Welsh internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Welsh's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Welsh's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan, we identified item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Welsh, Louisiana's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
September 15, 2021

TOWN OF WELSH

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan

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

Internal Control Finding -

2021-001 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: Unknown

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

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

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

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

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

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

Part II. Prior Year Findings

Internal Control Findings -

2020-001 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: Unknown

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

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

CURRENT STATUS: Unresolved. See finding 2021-001

2020-002 Controls over Financial Reporting

Fiscal year finding initially occurred: Unknown

CONDITION: The Town's accounting personnel and those charged with governance, in the course of their assigned duties, lack the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct a material misstatement, if present.

RECOMMENDATION: Management should mitigate this weakness by having a heightened awareness of all transactions being reported.

CURRENT STATUS: Resolved.