

TOWN OF WELSH, LOUISIANA

ANNUAL FINANCIAL REPORT

MAY 31, 2019

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TOWN OF WELSH, LOUISIANA

ANNUAL FINANCIAL REPORT
Year Ended May 31, 2019

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TOWN OF WELSH, LOUISIANA

May 31, 2019

MAYOR

The Honorable Carolyn Louviere

BOARD of ALDERMAN

Mrs. Jackie Balmer
Ms. Andrea King
Mr. Lawrence Mier

Mr. J. Colby Perry
Mr. Rodney Trahan

LEGAL COUNSEL

Mr. Richard M. Arceneaux

TOWN CLERK

Ms. Eva Kibodeaux

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Alderman
Town of Welsh
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, as of and for the year ended May 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Sales Tax 1996 Fund 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 Schedule of Employer's Proportionate Share of Net Pension Liability and the Schedule of Employer's Pension Contributions on pages 60-61 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 require 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 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 introductory section and nonmajor fund financial statements and other schedules listed as other supplementary information in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The nonmajor fund financial statements and the other schedules listed as other supplementary information in the table of contents 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 nonmajor fund financial statements and the other schedules listed as other supplementary information in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2019 on our consideration of the Town of Welsh, Louisiana's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Welsh, Louisiana'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 Town of Welsh, Louisiana's internal control over financial reporting and compliance.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

McElroy Quirk & Burch

Lake Charles, Louisiana

November 21, 2019

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF WELSH, LOUISIANA

GOVERNMENT-WIDE
STATEMENT OF NET POSITION
May 31, 2019

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,299,690	\$ 1,061,314	\$ 2,361,004
Investments	289,010	661,319	950,329
Receivables (net, where applicable, of allowance for uncollectibles):			
Accounts	170,362	292,498	462,860
Taxes	3,457	-	3,457
Grants	-	3,761	3,761
Inventory	-	149,845	149,845
Internal balances	2,128,483	(2,128,483)	-
Other current assets	-	637	637
Restricted assets:			
Cash and cash equivalents	-	74,400	74,400
Investments	978,726	-	978,726
Capital assets:			
Land improvements and construction in progress	80,451	226,518	306,969
Buildings, furniture and equipment, net of depreciation	<u>2,224,474</u>	<u>6,771,298</u>	<u>8,995,772</u>
Total assets	<u>7,174,653</u>	<u>7,113,107</u>	<u>14,287,760</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	<u>240,738</u>	<u>143,356</u>	<u>384,094</u>
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<u>LIABILITIES</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Accounts payable	110,215	168,922	279,137
Accrued liabilities	51,391	43,651	95,042
Noncurrent liabilities:			
Due within one year	54,000	31,000	85,000
Due in more than one year	222,000	663,846	885,846
Payable from restricted assets	-	74,400	74,400
Net pension liability	<u>730,962</u>	<u>423,343</u>	<u>1,154,305</u>
Total liabilities	<u>1,168,568</u>	<u>1,405,162</u>	<u>2,573,730</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	<u>195,992</u>	<u>39,862</u>	<u>235,854</u>
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NET POSITION

Investment in capital assets, net of related debt	2,028,925	6,302,970	8,331,895
Restricted for:			
Various purposes-sales tax	1,335,370	-	1,335,370
Unrestricted	<u>2,686,536</u>	<u>(491,531)</u>	<u>2,195,005</u>
Total net position	<u>\$ 6,050,831</u>	<u>\$ 5,811,439</u>	<u>\$ 11,862,270</u>

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
Year Ended May 31, 2019

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Government activities:				
General government	\$ 476,679	\$ 171,041	\$ -	\$ -
Public safety	1,489,555	454,570	-	-
Highway and street	407,472	-	100,038	-
Sanitation	167,338	649,259	-	-
Culture and recreation	134,841	22,734	-	-
Total governmental activities	2,675,885	1,297,604	100,038	-
Business-type activities:				
Water utility	563,676	299,370	40,455	-
Sewer utility	421,429	287,165	-	-
Electric utility	2,541,013	2,965,205	-	-
Total business-type activities	3,526,118	3,551,740	40,455	-
Total government	\$ 6,202,003	\$ 4,849,344	\$ 140,493	\$ -

General revenues:

Ad valorem taxes
Sales taxes
Franchise taxes
Other taxes
Vending machine commission
Intergovernmental
Interest earned
Miscellaneous

Transfers

Total general revenues
and transfers

Change in net position

Net position at beginning of year, as restated

Net position at end of year

See accompanying notes to financial statements

Net (Expenses) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (305,638)	\$ -	\$ (305,638)
(1,034,985)	-	(1,034,985)
(307,434)	-	(307,434)
481,921	-	481,921
(112,107)	-	(112,107)
(1,278,243)	-	(1,278,243)
-	(223,851)	(223,851)
-	(134,264)	(134,264)
-	424,192	424,192
-	66,077	66,077
(1,278,243)	66,077	(1,212,166)
107,905	-	107,905
1,021,964	-	1,021,964
24,329	-	24,329
13,446	-	13,446
8,535	-	8,535
9,224	-	9,224
21,059	10,106	31,165
28,314	45,624	73,938
300,000	(300,000)	-
1,534,776	(244,270)	1,290,506
256,533	(178,193)	78,340
5,794,298	5,989,632	11,783,930
<u>\$ 6,050,831</u>	<u>\$ 5,811,439</u>	<u>\$ 11,862,270</u>

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FUND FINANCIAL STATEMENTS

TOWN OF WELSH, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS

May 31, 2019

<u>ASSETS</u>	<u>General</u>	<u>Special Revenue Sales Tax 1996</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash	\$ 411,889	\$ 880,033	\$ 7,768	\$ 1,299,690
Investments	92,714	196,296	-	289,010
Receivables:				
Taxes	3,457	-	-	3,457
Accounts	132,902	37,459	-	170,361
Interfund receivable	2,137,736	232,542	88	2,370,366
Restricted assets:				
Investments	978,726	-	-	978,726
 Total assets	 <u>\$ 3,757,424</u>	 <u>\$ 1,346,330</u>	 <u>\$ 7,856</u>	 <u>\$ 5,111,610</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts payable	\$ 105,390	\$ 4,825	\$ -	\$ 110,215
Accrued liabilities	45,256	6,135	-	51,391
Interfund payable	231,974	-	9,909	241,883
Total liabilities	<u>382,620</u>	<u>10,960</u>	<u>9,909</u>	<u>403,489</u>
Fund balances:				
Restricted for:				
Special revenue	-	1,335,370	-	1,335,370
Committed	978,726	-	-	978,726
Unassigned	2,396,078	-	(2,053)	2,394,025
Total fund balances	<u>3,374,804</u>	<u>1,335,370</u>	<u>(2,053)</u>	<u>4,708,121</u>
 Total liabilities and fund balances	 <u>\$ 3,757,424</u>	 <u>\$ 1,346,330</u>	 <u>\$ 7,856</u>	 <u>\$ 5,111,610</u>

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TOWN OF WELSH, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS

May 31, 2019

	General	Special Revenue Sales Tax 1996	Non-Major Governmental Funds	Total Governmental Funds
Amounts reported for governmental activities in the statement of net position are different because:				
Total fund balance - total governmental funds				\$ 4,708,121
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds				2,304,926
Amounts reported to pension recognition are not due and payable in the current period and, therefore, are not reported in the funds				(686,216)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds				(276,000)
				<u>\$ 6,050,831</u>

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended May 31, 2019

	General	Special Revenue Sales Tax 1996	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 656,662	\$ 510,982	\$ -	\$ 1,167,644
Licenses and permits	142,864	-	-	142,864
Intergovernmental	22,336	-	-	22,336
Charges for services	507,325	-	-	507,325
Fines and forfeits	345,448	-	-	345,448
Interest income	16,699	4,356	5	21,060
Vending machine commission	8,535	-	-	8,535
Jeff Davis Sanitary Landfill	301,967	-	-	301,967
Grants	86,926	-	-	86,926
Miscellaneous	9,464	-	-	9,464
Total revenues	<u>2,098,226</u>	<u>515,338</u>	<u>5</u>	<u>2,613,569</u>
Expenditures:				
Current:				
General government	548,153	17,288	-	565,441
Police	1,265,965	-	2,400	1,268,365
Fire	117,869	-	-	117,869
Sanitation	114,188	-	-	114,188
Recreation	123,610	-	-	123,610
Cemeteries	21,324	-	-	21,324
Airport	1,719	-	-	1,719
Health and welfare	4,374	-	-	4,374
Animal control	43,845	-	-	43,845
Paving/streets	-	447,832	-	447,832
Economic development	16,241	-	-	16,241
Debt service:				
Principal retirement	52,000	-	-	52,000
Interest payment	8,377	-	-	8,377
Total expenditures	<u>2,317,665</u>	<u>465,120</u>	<u>2,400</u>	<u>2,785,185</u>
Excess (deficiency) of revenues over expenditures	(219,439)	50,218	(2,395)	(171,616)

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TOWN OF WELSH, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended May 31, 2019

(Continued)

	<u>General</u>	<u>Special Revenue Sales Tax 1996</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):				
Operating transfers in	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>80,561</u>	<u>50,218</u>	<u>(2,395)</u>	<u>128,384</u>
Fund balance at beginning of year	<u>3,294,243</u>	<u>1,285,152</u>	<u>342</u>	<u>4,579,737</u>
Fund balance at end of year	<u>\$ 3,374,804</u>	<u>\$ 1,335,370</u>	<u>\$ (2,053)</u>	<u>\$ 4,708,121</u>

See accompanying notes to financial statements

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TOWN OF WELSH, LOUISIANA

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended May 31, 2019

Amounts reported for governmental activities in the
statement of activities different because:

Net change in fund balance - total governmental funds	\$ 128,384
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	49,975
Net effect of pension liability recognition	26,174
Principal payments of long-term debt, net current year capital lease acquisitions	52,000
Loss of disposal of fixed assets	<u>-</u>
Change in net assets of governmental activities	<u>\$ 256,533</u>

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA
GENERAL FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended May 31, 2019

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget Positive (Unfavorable)
Revenues:				
Taxes	\$ 565,500	\$ 673,000	\$ 656,662	\$ (16,338)
Licenses and permits	105,800	144,300	142,864	(1,436)
Intergovernmental	122,500	122,500	22,336	(100,164)
Charges for services	702,050	517,510	507,325	(10,185)
Fines and forfeits	190,150	346,050	345,448	(602)
Interest income	13,400	17,100	16,699	(401)
Vending machine income	-	10,000	8,535	(1,465)
Grants	-	-	86,926	86,926
Landfill	-	302,000	301,967	(33)
Miscellaneous	1,000	8,200	9,464	1,264
Total revenues	<u>1,700,400</u>	<u>2,140,660</u>	<u>2,098,226</u>	<u>(42,434)</u>
Expenditures:				
Current:				
General government	376,112	617,412	548,153	69,259
Police	1,161,268	1,215,892	1,265,965	(50,073)
Fire	112,105	121,005	117,869	3,136
Sanitation	135,030	135,030	114,188	20,842
Recreation	153,934	154,434	123,610	30,824
Cemeteries	17,100	24,750	21,324	3,426
Airport	5,100	5,100	1,719	3,381
Health and welfare	5,000	5,000	4,374	626
Animal control	44,180	44,180	43,845	335
Economic development	16,000	16,000	16,241	(241)
Debt service:				
Principal retirement	45,900	45,900	52,000	(6,100)
Interest payments	9,020	9,020	8,377	643
Total expenditures	<u>2,080,749</u>	<u>2,393,723</u>	<u>2,317,665</u>	<u>76,058</u>
Excess (deficiency) of revenues over expenditures	(380,349)	(253,063)	(219,439)	33,624

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TOWN OF WELSH, LOUISIANA
GENERAL FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended May 31, 2019
(Continued)

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
				Positive
				(Unfavorable)
Other financing sources (uses):				
Operating transfers in	300,000	300,000	300,000	-
Excess (deficiency) of revenue and other financing sources over expenditures and other uses	(80,349)	46,937	80,561	33,624
Fund balance at beginning of year, as restated	3,294,243	3,294,243	3,294,243	-
Fund balance at end of year	<u>\$ 3,213,894</u>	<u>\$ 3,341,180</u>	<u>\$ 3,374,804</u>	<u>\$ 33,624</u>

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA
SALES TAX 1996

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended May 31, 2019

	Budgeted Amounts			Variance With Final Budget Positive (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 426,500	\$ 426,500	\$ 510,982	\$ 84,482
Interest income	<u>1,100</u>	<u>1,100</u>	<u>4,356</u>	<u>3,256</u>
Total revenues	<u>427,600</u>	<u>427,600</u>	<u>515,338</u>	<u>87,738</u>
Expenditures:				
Current:				
General government	-	-	17,288	(17,288)
Paving/streets	<u>738,350</u>	<u>738,350</u>	<u>447,832</u>	<u>290,518</u>
Total expenditures	<u>738,350</u>	<u>738,350</u>	<u>465,120</u>	<u>273,230</u>
Excess (deficiency) of revenues over expenditures	(310,750)	(310,750)	50,218	360,968
Fund balance at beginning of year	<u>1,285,152</u>	<u>1,285,152</u>	<u>1,285,152</u>	-
Fund balance at end of year	<u>\$ 974,402</u>	<u>\$ 974,402</u>	<u>\$ 1,335,370</u>	<u>\$ 360,968</u>

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA
PROPRIETARY FUND - UTILITY ENTERPRISE FUND

STATEMENT OF NET POSITION
May 31, 2019

ASSETS

Cash and cash equivalents	\$ 1,061,314
Investments	661,319
Receivables:	
Accounts	379,995
Estimated uncollectibles and allowances	(87,497)
Grant	3,761
Inventory	149,845
Other current assets	637
Interfund receivable	3,246,121
Restricted assets:	
Cash and cash equivalents	74,400
Capital assets:	
Land, improvements and construction in progress	226,518
Buildings, furniture and equipment, net of depreciation	<u>6,771,298</u>
Total assets	<u>12,487,711</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	<u>143,356</u>
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LIABILITIES

Accounts payable	168,922
Accrued liabilities	43,651
Long-term debt - current:	
Due within one year	31,000
Due after one year	663,846
Interfund payable	5,374,604
Payable from restricted assets	74,400
Net pension liability	<u>423,343</u>
Total liabilities	<u>6,779,766</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	<u>39,862</u>
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NET POSITION

Investment in capital assets, net of related debt	\$ 6,302,970
Unrestricted	<u>(491,531)</u>
Total net position	<u>\$ 5,811,439</u>

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA
 PROPRIETARY FUND - UTILITY ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
 Year Ended May 31, 2019

Operating revenues:	
Charges for services	\$ 3,550,741
Tap fees	1,000
Miscellaneous	<u>45,624</u>
Total operating revenues	<u>3,597,365</u>
Operating expenses:	
Salaries	565,918
Insurance	138,431
Repairs, maintenance and supplies	336,945
Utilities	79,419
Other services and charges	221,598
Electricity purchase	1,971,863
Depreciation	<u>198,746</u>
Total operating expenses	<u>3,512,920</u>
Operating income	<u>84,445</u>
Nonoperating revenues (expenses):	
Interest income	10,106
Interest expense	(13,199)
Grant proceeds	<u>40,455</u>
Total nonoperating revenues (expenses)	<u>37,362</u>
Income before operating transfers	121,807
Operating transfers	<u>(300,000)</u>
Change in net assets	(178,193)
Net position at beginning of year	<u>5,989,632</u>
Net position at end of year	<u>\$ 5,811,439</u>

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA
PROPRIETARY FUND - UTILITY ENTERPRISE FUND

STATEMENT OF CASH FLOWS
Year Ended May 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,812,759
Cash payments to suppliers for goods and services	(3,014,289)
Cash payments to employees for services	(539,168)
Net cash provided by operating activities	<u>259,302</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grant proceeds	40,455
Operating transfer from other funds (net)	(300,000)
Interfund receivable decrease	261,314
Interfund payable increase	(208,805)
Net cash (used in) noncapital financing activities	<u>(207,036)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of fixed assets	(234,504)
Proceeds from long-term debt	133,592
Interest paid	(13,199)
Net cash (used in) capital and related financing activities	<u>(114,111)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipts of interest	10,106
Purchase of investments	(358,746)
Net cash (used in) investing activities	<u>(348,640)</u>
Net (decrease) in cash and cash equivalents	(410,485)
Cash and cash equivalents:	
Beginning of year	<u>1,546,199</u>
End of year	<u>\$ 1,135,714</u>
Cash and cash equivalents at end of year consisted of:	
Unrestricted cash	\$ 1,061,314
Restricted cash	<u>74,400</u>
	<u>\$ 1,135,714</u>

(continued on next page)

TOWN OF WELSH, LOUISIANA
PROPRIETARY FUND - UTILITY ENTERPRISE FUND

STATEMENT OF CASH FLOWS
Year Ended May 31, 2019
(Continued)

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 84,445
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	198,746
Changes in assets and liabilities:	
Decrease in accounts receivable and other receivables	215,394
Decrease in inventory	3,090
(Decrease) in accounts payable and other payables	(269,123)
(Decrease) in net pension liability	(25,200)
Changes in deferred inflows and outflows of resources:	
Decrease in deferred outflows related to pensions	42,032
Increase in deferred inflows related to pensions	<u>9,918</u>
Net cash provided by operating activities	<u>\$ 259,302</u>

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA

NOTES TO BASIC FINANCIAL STATEMENTS

May 31, 2019

Note 1. Summary of Significant Accounting Policies

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

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

The following is a summary of certain significant accounting policies.

A. Financial Reporting Entity

The accompanying financial statements include the various departments, activities, and organizational units that are within the control and authority of the Mayor and the Board of Aldermen of the Town of Welsh, Louisiana. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in *Statements No. 14 and No. 61* of the Governmental Accounting Standards Board. These statements define the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government.

The Statement of Net Position and the Statement of Activities report financial information for the Town as a whole so that individual funds are not displayed. However, the Statement of Activities reports the expense of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

FUND FINANCIAL STATEMENTS

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The various funds are grouped, in the financial statements in this report, into three broad fund categories as follows:

GOVERNMENTAL FUNDS

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

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

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

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

PROPRIETARY FUNDS

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

C. Measurement Focus and Basis of Accounting

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

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using a financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet and increases or decreases in net current assets are presented in the operating statements. These funds utilize the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period.

Certain revenues such as sales tax, property tax, and charges for services are assessed and collected in such a manner that they can be accrued appropriately. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for principal and interest on general long-term debt which are recognized when due. Also, expenditures for accrued compensated absences are not recognized until they are payable from current available financial resources.

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

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

D. 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.

E. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund balances:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net position:

Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be 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 - Net amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

F. Budgets and Budgetary Accounting

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

1. Prior to May 15, the Town Clerk submits to the Mayor and Town Council a proposed operating budget for the fiscal year commencing the following June 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at Town Hall to obtain comments from the public.
3. Prior to May 31, the budget is legally enacted through passage of an ordinance.

4. Amendments to the budget are approved by the Town Council by a formal adoption of an ordinance.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue and Debt Service Funds. The capital budget ordinances which encompass the Capital Project Funds present cumulative as opposed to annual budget amounts and thus budget and actual comparisons are not reported in the accompanying financial report for these funds.
6. Any revisions that alter total expenditures of any fund must be approved by the Councilmen. Expenditures cannot legally exceed appropriations on a fund level.
7. The Town does not utilize encumbrance accounting.
8. Budget appropriations lapse at year end.

G. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and certificates of deposit. The Town considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Certificates of deposit are stated at cost.

Louisiana State Statutes, as stipulated in R.S. 39:1271, authorize the Town to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investments are stated at cost.

H. Estimated Uncollectibles and Contractual Allowances

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

I. Interfund Activity

Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

J. Capital Assets and Depreciation

The accounting and reporting treatment applied to capital assets associated with a fund are determined by their measurement focus. General capital assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$1,500.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Plant	10 to 33 years
Machinery and equipment	5 to 10 years
Furniture and fixtures	5 to 10 years

K. Accumulated Unpaid Sick Pay

Accumulated unpaid sick pay was not considered material at May 31, 2019 and is not reflected in these financial statements.

L. Property Taxes

Property taxes levied in any one year are recognized as revenues of that year.

M. Inventories

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

N. Revenue Recognition - Property Taxes

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

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

O. The total millage of 7.03 for the year ended May 31, 2019 was composed of the following:

<u>Description</u>	<u>Millage</u>	<u>Tax Revenue</u>
General property tax	7.03	\$ 107,905

P. Compensated Absences

The Town accrued 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 the 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.

Q. Interest Expense

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

Note 2. Cash, Cash Equivalents and Investments

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

In accordance with a fiscal agency agreement that is approved by the Board of Aldermen, the Town of Welsh maintains demand and time deposits through local depository banks that are members of the Federal Reserve System.

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. government, obligations issued or guaranteed by an agency established by the U.S. government, general obligation bonds of any state of the U.S., or of any Louisiana parish, municipality, or school district. The Town's bank demand and time deposits at year end were fully collateralized.

The deposits at May 31, 2019 are as follows:

	<u>Demand Deposits</u>	<u>Time Deposits</u>
Carry amount	<u>\$ 2,434,887</u>	<u>\$ 318,792</u>
Bank balances:		
a. Federally insured	\$ 664,345	\$ 250,000
b. Collateralized by securities held by the pledging financial institution	1,878,120	68,792
c. Uncollateralized and uninsured	-	-
	<u>\$ 2,542,465</u>	<u>\$ 318,792</u>

Investments held at May 31, 2019, consist of \$1,610,263 in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). LAMP is administered by LAMP Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by

the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

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

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 December 31, 2018, 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.

As of May 31, 2019, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Certificate of deposit	\$ 318,792	\$ 318,792	\$ -	\$ -	\$ -
LAMP	<u>1,610,263</u>	<u>1,610,263</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,929,055</u>	<u>\$ 1,929,055</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 3. Individual Fund Transactions

Individual fund interfund receivables and payables are as follows:

	Receivables	Payables
General Fund	\$ 2,137,736	\$ 231,974
Enterprise Fund	3,246,121	5,374,604
Special Revenue - Sales Tax 1996	232,542	-
Nonmajor government funds	<u>88</u>	<u>9,909</u>
	<u>\$ 5,616,487</u>	<u>\$ 5,616,487</u>

Operating transfers:

	Transfers In	Transfers Out
General fund	\$ 300,000	\$ -
Enterprise fund	-	300,000
Grand totals	<u>\$ 300,000</u>	<u>\$ 300,000</u>

Note 4. Dedication of Proceeds and Flow of Funds - 2.0% Sales and Use Tax

Proceeds of a 1% sales and use tax levied by the Town of Welsh, Louisiana (2019 collections \$510,982; 2018 \$498,598) are dedicated to the following purposes:

1. Used for any legal purpose as approved by Mayor and Board of Aldermen. Proceeds of a 1% sales and use tax levied by the Town of Welsh, Louisiana approved by voters October 1993 to expire June 2019 (2019 collections \$510,982; 2018 \$498,598) are dedicated to the following purposes:
 - A. 100% of collections to be used for 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.

Proceeds of a 1% sales and use tax levied by the Town of Welsh, Louisiana (2019 collections \$510,982; 2018 \$498,598) are dedicated to the following purposes:

1. Used for any legal purpose as approved by Mayor and Board of Aldermen. Proceeds of a 1% sales and use tax levied by the Town of Welsh, Louisiana approved by voters February 1996 to expire April 2026 (2019 collections \$510,982; 2016 \$498,598) are dedicated to the following purposes:
 - A. 100% of collections 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.

Note 5. Restricted Assets

Assets were restricted for the following purposes as of May 31, 2019:

Public utility:	
Customer deposit	<u>\$ 74,400</u>
General fund:	
Emergency cash reserve	<u>\$ 978,726</u>

Note 6. Changes in Capital Assets

Capital asset activity for the year ended May 31, 2019, was as follows:

	Beginning of Year	Additions	Deletions	End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 67,599	\$ -	\$ -	\$ 67,599
Construction in progress	-	12,852	-	12,852
	<u>67,599</u>	<u>12,852</u>	<u>-</u>	<u>80,451</u>
Capital assets being depreciated:				
Buildings	2,300,851	174,391	-	2,475,242
Furniture and equipment	1,060,089	89,358	-	1,149,447
Vehicles	1,666,900	6,900	-	1,673,800
Infrastructure	<u>565,373</u>	<u>-</u>	<u>-</u>	<u>565,373</u>
Total capital assets being depreciated	<u>5,593,213</u>	<u>270,649</u>	<u>-</u>	<u>5,863,862</u>
Less accumulated depreciation for:				
Buildings	1,391,716	43,180	-	1,434,896
Furniture and equipment	871,734	53,530	-	925,264
Vehicles	1,128,278	122,682	-	1,250,960
Infrastructure	<u>14,134</u>	<u>14,134</u>	<u>-</u>	<u>28,268</u>
Total accumulated depreciation	<u>3,405,862</u>	<u>233,526</u>	<u>-</u>	<u>3,639,388</u>
Government activities capital assets, net	<u>\$ 2,254,950</u>	<u>\$ 37,123</u>	<u>\$ -</u>	<u>\$ 2,304,925</u>

	Beginning of Year	Additions	Deletions	End of Year
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 226,518	\$ -	\$ -	\$ 226,518
Construction in progress	697,612	192,034	889,646	-
Total capital assets not being depreciated	924,130	192,034	889,646	226,518
Capital assets being depreciated:				
Plant and equipment-sewer	7,227,515	42,472	-	7,269,987
Plant and equipment-water	2,235,368	889,645	-	3,125,013
Plant and equipment-electric	3,051,152	-	-	3,051,152
Total capital assets being depreciated	12,514,035	932,117	-	13,446,152
Less accumulated depreciation for:				
Plant and equipment-sewer	2,908,491	131,614	-	3,040,105
Plant and equipment-water	1,563,662	30,248	-	1,593,910
Plant and equipment-electric	2,003,955	36,884	-	2,040,839
Total accumulated depreciation	6,476,108	198,746	-	6,674,854
Business-type activities capital assets, net	<u>\$ 6,962,057</u>	<u>\$ 925,405</u>	<u>\$ 889,646</u>	<u>\$ 6,997,816</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 36,075
Public safety	95,941
Highway and streets	37,562
Sanitation	49,874
Culture and recreation	14,074
Total depreciation	<u>\$ 233,526</u>

Note 7. Long-Term Debt

Bonds payable are comprised of the following:

Governmental activities:

\$262,000 Certificate of Indebtedness, Series 2012, maturing November 1, 2021, net interest rate of 2.50%, interest payable semi-annually with principal payments made annually	\$ 94,000
\$228,000 Limited Tax Certificates, Series 2017, maturing March 1, 2026, net interest rate of 2.77%, interest payable semi-annually with principal payments made annually	182,000

Business-type activities:

\$568,255 Taxable Utilities Revenue Bonds, Series 2017, maturing April 1, 2037, net interest rate of 1.95%, interest payable semi-annually with principal payments made annually	694,846
	<u>\$ 970,846</u>

The annual requirements to amortize all bonded debts outstanding as of May 31, 2019 follow:

Governmental activities:

Year Ending May 31,	Principal	Interest	Total
2020	\$ 54,000	\$ 7,173	\$ 61,173
2021	56,000	5,688	61,688
2022	58,000	4,131	62,131
2023	26,000	2,993	28,993
2024	27,000	2,268	29,268
2025-2028	55,000	2,284	57,284
	<u>\$ 276,000</u>	<u>\$ 24,537</u>	<u>\$ 300,537</u>

Business-type activities:

Year Ending May 31,	Principal	Interest	Total
2020	\$ 31,000	\$ 13,550	\$ 44,550
2021	32,000	12,945	44,945
2022	33,000	12,321	45,321
2023	34,000	11,678	45,678
2024	34,000	11,015	45,015
2025-2028	185,000	44,738	229,738
2029-2033	209,000	25,745	234,745
2034-2038	136,846	5,373	142,219
	<u>\$ 694,846</u>	<u>\$ 137,365</u>	<u>\$ 832,211</u>

The following is the long-term liability activity of the Town for the year ended May 31, 2019:

	Balance 5-31-18	Additions	Reductions	Balance 5-31-19	Due Within One Year
Business-type activities:					
Revenue bonds	\$ 561,254	\$ 195,840	\$ 62,249	\$ 694,846	\$ 31,000
Net pension liability	<u>448,543</u>	<u>-</u>	<u>25,200</u>	<u>423,343</u>	<u>-</u>
	<u>\$1,009,797</u>	<u>\$ 195,840</u>	<u>\$ 87,449</u>	<u>\$1,118,188</u>	<u>\$ 31,000</u>
Governmental activities:					
Revenue bonds	\$ 328,000	\$ -	\$ 52,000	\$ 276,000	\$ 54,000
Net pension liability	<u>743,163</u>	<u>-</u>	<u>12,201</u>	<u>730,962</u>	<u>-</u>
	<u>\$1,071,163</u>	<u>\$ -</u>	<u>\$ 64,201</u>	<u>\$1,006,962</u>	<u>\$ 54,000</u>

Note 8. Litigation

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

Note 9. Landfill Joint Venture

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

<u>Locality</u>	<u>Number of Households</u>	<u>Percentages</u>
Jennings	4,161	.421196
Welsh	1,167	.118129
Lake Arthur	1,212	.122684
Parish (excluding Jennings, Welsh, Lake Arthur and Elton)	<u>3,339</u>	<u>.337991</u>
	<u>9,879</u>	<u>1.000000</u>

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

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

Condensed financial information for the Jefferson Davis Parish Sanitary Landfill as of December 31, 2018 (the latest available audited financial statements) was as follows:

	<u>Total</u>	<u>Welsh (11.8129%)</u>
Total assets and deferred outflows of resources	\$ 6,138,306	\$ 725,112
Total liabilities and deferred inflows of resources	84,960	10,036
Total net position	6,053,346	715,076
Total liabilities, deferred inflows of resources, and net position	6,138,306	725,112
Total revenues	3,505,907	414,149
Total expenditures	3,380,461	399,330
Net (decrease) in net position	125,446	14,819

As of December 31, 2018, the Commission had no long-term debt outstanding.

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

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

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

Note 10. Pension Plan

Plan descriptions:

The Town participates in two state-administered cost-sharing multiple-employer retirement systems, which together cover substantially all of the Town's full-time employees: Municipal Employees' Retirement System (MERS) and Municipal Police Employees' Retirement System (MPERS). These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual, publicly-available financial reports that include financial statements and required supplementary information for the systems. Although separately administered by their respective boards of trustees, these systems are established and regulated by acts of the Louisiana Legislature with respect to membership and contribution requirements, plan benefits, and actuarial determination of funding requirements as provided by the state constitution. Town of Welsh implemented Government Accounting Standards Board (GASB) Statement 68 on Accounting and Financial Reporting for Pensions and Statement 71 on Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB 68. Additional disclosures with respect to GASB 68 to the Town's participation in these systems are provided below. The reports for MERS and MPERS may be obtained at www.mersla.com and www.lampers.org respectively. The Municipal Employees' Retirement System (MERS) issues a publicly available financial report, which may be obtained by writing to that system at 9737 Office Park Boulevard, Baton Rouge, LA 70809. The financial report for the Municipal Police Employees' Retirement System (MPERS) may be obtained by writing to that system at 8401 United Plaza Boulevard Suite 270, Baton Rouge, LA 70809-7017.

Plan description - MERS:

MERS was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana and is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Town of Welsh are members of Plan B. All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in MERS.

Plan description - MPERS:

All full-time police department employees engaged in law enforcement are required to participate in MPERS providing he or she does not have to pay social security and providing he or she meets the statutory criteria. MPERS provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through MPERS in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233.

Benefits provided:

Retirement benefits - MERS (Plan B):

Any member of Plan B hired before January 1, 2013 may retire at any age with 30 years of creditable service or at age 60 with at least 10 years of creditable service. Any member of Plan B hired on or after January 1, 2013 may retire at age 67 with at least 7 years of creditable service, at age 62 with at least 10 years of creditable service, or at age 55 with at least 30 years of creditable service. Members hired on or after January 1, 2013 are also eligible to retire at any age with at least 25 years of creditable service, but their benefit will be actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any of the previously-mentioned provisions, if the member had continued in service to that age. Members are entitled to a retirement benefit, payable monthly for life, equal to 2% of the member's final compensation (defined below) multiplied by the member's years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination.

Final compensation is the employee's average salary over the 36 consecutive or joined months that produce the highest average for a member whose first employment made him or her eligible for membership in the system on or before June 30, 2006. Final compensation is the employee's average salary over the 60 consecutive or joined months that produce the highest average for a member whose first employment made him or her eligible for membership in the system after June 30, 2006. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination.

Retirement benefits - MPERS:

Members of MPERS with membership beginning prior to January 1, 2013 are eligible for regular retirement after he or she has been a member of MPERS and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years of creditable service and is age 55. A member is eligible for early retirement after he or she has been a member of MPERS for 20 years of creditable service at any age with an actuarially reduced benefit. Members are entitled to a retirement benefit, payable monthly for life, equal to three and one-third percent (3.33%) of the member's final compensation (employee's average salary over the 36 consecutive or joined months that produce the highest average) multiplied by the member's years of creditable service.

Members of MPERS with membership beginning on or after January 1, 2013 are eligible for regular retirement, early retirement, disability and survivor benefits based on Hazardous Duty and Non-Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he or she has been a member of MPERS and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non-Hazardous Duty sub plan, a member is eligible for regular retirement after he or she has been a member of MPERS and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he or she has been a member of MPERS for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55. Under the Hazardous and Non-Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

In 1999, the State Legislature authorized MPERS to establish an Initial Benefit Option program. This is available to MPERS members who are eligible for regular retirement but have not participated in DROP. This program provides both a one-time single sum payment of up to 36 months of the regular monthly retirement benefit, plus a reduced monthly retirement benefit for life.

Deferred retirement options:

In lieu of terminating employment and accepting a service retirement allowance, any member of MERS who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. A MERS member may participate in DROP only once. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment, are credited to the MERS member's individual DROP account. Interest is earned when the member has completed DROP participation. Upon termination of employment prior to or at the end of the participation period, the member may receive a lump sum from the account or a true annuity based on the account balance. If employment is not terminated at the end of the three year DROP participation period, payments into the DROP account cease and the person resumes active contributing membership in MERS.

A member of MPERS is eligible to enter DROP when he or she is eligible for regular retirement based on the members' sub plan participation. At the entry date into DROP, employee and employer contributions cease. The amount deposited into the DROP account for MPERS members is equal to the benefit computed under the retirement plan elected by participant date of application. Interest is earned when the MPERS member has completed DROP participation. Upon termination of employment prior to or at the end of the participation period, the MPERS member may receive a lump sum from the account or a true annuity based on the account balance.

Disability benefits:

A member of MERS Plan B is eligible to retire and receive a disability benefit if he or she has at least 10 years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. The monthly maximum retirement benefit under Plan B of MERS is the lesser of an amount equal to two percent of member's final compensation multiplied by years of service (not less than 30% of member's final compensation) or an amount equal to what the member's normal retirement benefit would be based on final compensation at time of disability, but assuming continuous service until member's earliest normal retirement age.

A member of MPERS is eligible to retire and receive a disability benefit if he or she has been certified as disabled by the State Medical Disability Board. If the disability incurred is job-related, there is no minimum creditable service requirement. If the disability is non-job-related, a minimum of 10 years of creditable service is required if the member was employed on or after July 1, 2008. Members of MPERS employed prior to July 1, 2008 must have a minimum of 5 years of creditable service to be eligible to retire with disability benefits if the disability incurred is non-job-related. The disability benefit received by a MPERS member is equal to three percent of his or her final average compensation multiplied by years of creditable service (not less than 40%, nor more than 60% of final average compensation). At the time the disabled MPERS member reaches normal retirement age, he or she will have the option to continue to receive the disability retirement benefit or to receive his or her vested retirement benefit.

Survivor's benefit:

The surviving spouse (defined as someone married to the deceased member for at least 12 months immediately preceding the member's death) of a MERS Plan B member (not eligible for retirement at the time of death) will receive a survivor benefit, provided that the member had 5 or more years of creditable service. The surviving spouse will be paid either a monthly benefit equal to 30% of member's final compensation, payable when surviving spouse attains the age of 60 or becomes disabled, or a monthly benefit equal to actuarial equivalent of the benefit described previously (not less than 15% of member's final compensation), payable upon the death of the member. A MERS Plan B member who is eligible for normal retirement at the time of death will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse upon the date of death. Benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

Survivor benefits for MPERS members are payable to the surviving spouse or surviving minor child/children of a deceased active contributing member or a deceased disability retiree. Survivor benefits are not payable to survivors of retirees receiving benefits under the provisions of early or normal service retirement. The maximum benefit for a surviving spouse of a MPERS member is equal to the regular retirement formula, regardless of age, but not less than 40% or more than 60% of the deceased member's final average compensation. There is no requirement for minimum years of creditable service. If the MPERS member is killed in the line of duty, the surviving spouse shall receive a benefit equal to 100% of the deceased member's final average compensation, less any survivor benefits payable to a child or children. Each surviving minor child of the MPERS member will receive a benefit equal to 10% of deceased member's final average compensation or \$200 per month, whichever is greater.

Benefits for a surviving child cease upon the child's attainment of age 18 or upon marriage, whichever occurs first. The benefit may continue after age 18 if the child meets certain educational or disability requirements. The surviving minor child may receive an increased benefit if there is no surviving spouse of the MPERS member.

Cost of living increases:

MERS is authorized under state law to grant an annual cost of living adjustment to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit and may only be granted if sufficient funds are available. The cost of living increase must be paid from investment income in excess of normal requirements.

MPERS is authorized to provide annual cost of living adjustments to members who have been retired for at least one full fiscal year. The adjustment cannot exceed 3% in any given year. MPERS members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

Contributions:

The MERS and MPERS employer contribution rates are established annually under LRS 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the system's actuary. Each plan pays a separate actuarially-determined employer contribution rate. For the year ending May 31, 2019 the employer contribution rate for MERS Plan B was 13.25% for June 2018 and 14.00% for July through May, and MPERS was 30.75% for June 2018 and 32.25% for July through May. Employer contributions to MERS and MPERS were \$88,034 and \$58,691, respectively, for the year ended May 31, 2019. Employees participating in MERS are required to contribute 5.00% and employees participating in MPERS are required to contribute 10.00%.

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. MERS receives ad valorem taxes and state revenue sharing funds. MPERS receives insurance premium tax monies appropriated by the legislature each year based on an actuarial study. The Town of Welsh recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended May 31, 2019, the Town of Welsh recognized revenue as a result of support received from non-employer contributing entities of \$20,947 for its participation in MERS and \$10,473 for its participation in MPERS.

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

At May 31, 2019, the Town of Welsh reported a liability for MERS and MPERS of \$705,572 and \$448,733, respectively, for its proportionate share of the net pension liability. The net pension liabilities were measured as of June 30, 2018 and the total pension liabilities used to calculate the net pension liability were determined by actuarial valuations as of that date. The Town of Welsh's proportion of the net pension liability for each retirement system was based on a projection of the Town of Welsh's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Town of Welsh's proportion for MERS and MPERS was 0.834175% and 0.053079%, respectively. This reflects a decrease for MERS of 0.029837% and an increase for MPERS of 0.002207%, respectively, from its proportion measured as of June 30, 2017.

For the year ended May 31, 2019, the Town of Welsh recognized pension expense, for which there were no forfeitures, as follows:

	<u>Pension Expense</u>
MERS	\$ 153,566
MPERS	<u>25,158</u>
Total	<u>\$ 178,724</u>

At May 31, 2019, the Town of Welsh reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources

	<u>MERS</u>	<u>MPERS</u>	<u>Total</u>
Differences between expected and actual	\$ 1,891	\$ 2,023	\$ 3,914
Changes in assumptions	26,403	29,324	55,727
Net difference between projected and actual earnings on pension plan investments	114,680	21,511	136,191
Changes in proportion and differences between employer contributions and proportionate share of contributions	15,218	36,967	52,185
Employer contributions subsequent to measurement date	<u>81,636</u>	<u>54,981</u>	<u>136,617</u>
Total	<u>\$ 239,828</u>	<u>\$ 144,806</u>	<u>\$ 384,634</u>

Deferred Inflows of Resources

	<u>MERS</u>	<u>MPERS</u>	<u>Total</u>
Differences between expected and actual	\$ 31,779	\$ 22,931	\$ 54,710
Changes in assumptions	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	35,561	146,125	181,686
Employer contributions subsequent to measurement date	-	-	-
Total	<u>\$ 67,340</u>	<u>\$ 169,056</u>	<u>\$ 236,396</u>

During the year ended May 31, 2019, employer contributions totaling \$81,636 and \$54,981 were made subsequent to the measurement date for MERS and MPERS respectively. These contributions are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended May 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended May 31,	<u>MERS</u>	<u>MPERS</u>
2019	\$ 61,167	\$ (18,473)
2020	15,728	(53,592)
2021	10,398	(7,946)
2022	<u>3,558</u>	<u>780</u>
Total	<u>\$ 90,851</u>	<u>\$ (79,231)</u>

Actual assumptions:

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. The components of the net pension liability of MERS, MPERS, FRS, and LASERS employers as of June 30, 2018 are as follows:

	<u>MERS Plan B</u>	<u>MPERS</u>
Total pension liability	\$ 245,867,981	\$ 3,007,181,318
Plan fiduciary net position	<u>161,284,802</u>	<u>2,161,775,206</u>
Total net pension liability	<u>\$ 84,583,179</u>	<u>\$ 845,406,112</u>

The Town of Welsh's allocation is 0.834175% of the Total Net Pension Liability for MERS and 0.053079% of the Total Net Pension Liability for MPERS.

The total pension liabilities for MERS and MPERS in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

	MERS	MPERS								
Actuarial cost Method	Entry Age Normal	Entry Age Normal Cost								
Expected remaining service lives	3 years for Plan B	4 years								
Investment rate of return	7.275%, net of investment expense	7.20%, net of investment expense								
Inflation rate	2.60%	2.60%								
Projected salary Increases	5.00% (2.60% inflation, 2.40% merit)	<table><tr><td>Years of Service</td><td>Salary Growth Rate</td></tr><tr><td>1-2</td><td>9.75%</td></tr><tr><td>3-23</td><td>4.75%</td></tr><tr><td>24 & over</td><td>4.25%</td></tr></table>	Years of Service	Salary Growth Rate	1-2	9.75%	3-23	4.75%	24 & over	4.25%
Years of Service	Salary Growth Rate									
1-2	9.75%									
3-23	4.75%									
24 & over	4.25%									
Cost of living adjustments	None	None								
Mortality	RP-2000 Employee Table for active members (set back 2 years for males and females); RP-2000 Healthy Annuitant Table for healthy annuitants (set forward 2 years for males and 1 year for females); RP-2000 Disabled Lives Mortality Tables for disabled annuitants (set back 5 years for males and 3 years for females)	RP-2000 Healthy tables (set back 1 year for females) for healthy annuitants; RP-2000 Employee table for active members (set back 4 years for males and 3 years for females); RP-2000 Disabled Lives table (set back 5 years for males and 3 years for females) for disabled annuitants.								

The MERS actuarial assumptions used were based on the results of an experience study for the period July 1, 2009 through June 30, 2014. The MPERS actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014.

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) 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 resulting expected long-term rate of return for MERS is 7.00% and MPERS is 8.03% for the year ended June 30, 2018.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation for MERS and MPERS as of June 30, 2018 are summarized in the following table:

	Target Allocations		Long-term Expected Real Rate of Return	
	MERS	MPERS	MERS	MPERS
Equity	50%	52%	2.20%	3.58%
Fixed income	35%	22%	1.50%	0.46%
Alternatives	15%	20%	0.60%	1.07%
Other	0%	6%	0%	0.17%
Subtotal	<u>100%</u>	<u>100%</u>	4.30%	5.28%
Inflation adjustment			2.70%	2.75%
Total			<u>7.00%</u>	<u>8.03%</u>

Discount rates:

The discount rate used to measure the total pension liability for MERS was 7.275% and MPERS was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the actuary. Based on those assumptions, the net position of MERS and MPERS were 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.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rates

The following table presents the Town of Welsh's proportionate share of the net pension liability using the discount rate of 7.275% for MERS and 7.20% for MPERS as well as what the Town of Welsh's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.275% for MERS and 6.20% for MPERS) or one percentage-point higher (7.275% for MERS and 8.20 MPERS) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
MERS	\$ 925,977	\$ 705,572	\$ 518,208
MPERS	<u>630,594</u>	<u>448,733</u>	<u>296,159</u>
Total	<u>\$ 1,556,571</u>	<u>\$ 1,154,305</u>	<u>\$ 814,367</u>

Payables to the pension plans:

At May 31, 2019, payables to MERS and MPERS were \$13,872 and \$10,240 respectively, for May 31, 2019 employee and employer legally-required contributions.

Note 11. Fund Balance

In accordance with Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies governmental fund balances as follows:

Non-spendable -

includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted -

includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained or due to constitutional provisions or enabling legislation.

Committed -

includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (the Town Council) and does not lapse at year end. Formal action by the same authority is required to rescind such a commitment.

Assigned -

includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Mayor.

Unassigned -

includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Town does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

Major special revenue fund	Revenue source
Sales Tax 1996	2% sales tax described in Note 4

Note 12. Subsequent Events

Subsequent events have been evaluated through November 21, 2019, the date the financial statements were available to be issued.

Note 13. Deficit Fund Balance or Retained Earnings

As of May 31, 2019, there was a deficit of \$(3,492) in the Drug Seizure Fund. The Town of Welsh plans to reduce the deficit fund balance with a transfer from the General fund.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF WELSH, LOUISIANA

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
Year Ended May 31, 2019

<u>Plan Year</u>	<u>Employer Proportionate of the Net Pension Liability (Asset)</u>	<u>Employer Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
MERS:					
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%
MPERS:					
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	0.07622%	597,104	210,559	283.6%	70.73%
2014	0.074672%	467,154	185,254	252.2%	75.10%

This schedule will contain ten years of historical information once such information becomes available.

TOWN OF WELSH, LOUISIANA

SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS
Year Ended May 31, 2019

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractual Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position Contributions as a Percent of Covered Employee Payroll</u>
MERS:					
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%
MPERS:					
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 will contain ten years of historical information once such information becomes available.

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OTHER SUPPLEMENTARY INFORMATION

- Nonmajor Governmental Fund
 - Balance Sheet
 - Statement of Revenues, Expenditures,
and Changes in Fund Balances
- Proprietary Fund - Water
 - Schedule of Net Position - Water Fund
Activities Included in Utility
Enterprise Fund
 - Schedule of Revenues, Expenditures,
and Changes in Net Assets - Water
Fund Activities Included in Utility
Enterprise Fund
- Miscellaneous Supplementary Information
Related to Drinking Water Revolving Loan
- Schedule of Compensation to Governing Board
- Schedule of Compensation, Benefits and Other
Payments to Agency Head

TOWN OF WELSH, LOUISIANA

BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND
May 31, 2019

<u>ASSETS</u>	<u>Special Revenue</u>		
	<u>LCDBG</u>	<u>Drug Seizure</u>	<u>Total Non-major Funds</u>
Cash	\$ 1,351	\$ 6,417	\$ 7,768
Interfund receivable	<u>88</u>	<u>-</u>	<u>88</u>
Total assets	<u>\$ 1,439</u>	<u>\$ 6,417</u>	<u>\$ 7,856</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Interfund payable	\$ -	\$ 9,909	\$ 9,909
Fund balance:			
Restricted	-	-	-
Unassigned	<u>1,439</u>	<u>(3,492)</u>	<u>(2,053)</u>
Total fund balance	<u>1,439</u>	<u>(3,492)</u>	<u>(2,053)</u>
Total liabilities and fund balance	<u>\$ 1,439</u>	<u>\$ 6,417</u>	<u>\$ 7,856</u>

TOWN OF WELSH, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUND
Year Ended May 31, 2019

	<u>LCDBG</u>	<u>Drug Seizure</u>	<u>Total Non-major Funds</u>
Revenues:			
Interest	\$ -	\$ 5	\$ 5
Expenditures:			
General government	<u>-</u>	<u>2,400</u>	<u>2,400</u>
Excess (deficiency) of revenues over expenditures	-	(2,395)	(2,395)
Fund balance at beginning of year	<u>1,439</u>	<u>(1,097)</u>	<u>342</u>
Fund balance at end of year	<u>\$ 1,439</u>	<u>\$ (3,492)</u>	<u>\$ (2,053)</u>

TOWN OF WELSH, LOUISIANA
PROPRIETARY FUND - WATER FUND

STATEMENT OF NET POSITION
May 31, 2019

ASSETS

Cash and cash equivalents	\$ 87,250
Accounts receivable	39,486
Grants receivable	3,761
Inventory	33,633
Due from other funds	1,218,246
Restricted assets:	
Cash and cash equivalents	100
Capital assets:	
Land, improvements and construction in progress	-
Buildings, furniture and equipment, net of depreciation	<u>1,531,103</u>
Total assets	<u>2,913,579</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	<u>45,568</u>
---------------------------------------	---------------

LIABILITIES

Accounts payable	2,955
Accrued liabilities	22,715
Long-term debt - current:	
Due within one year	31,000
Due after one year	663,846
Due to other funds	665,303
Net pension liability	<u>134,059</u>
Total liabilities	<u>1,519,878</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	<u>12,795</u>
--------------------------------------	---------------

NET POSITION

Investment in capital assets, net of related debt	836,257
Unrestricted	<u>590,217</u>
Total net position	<u>\$ 1,426,474</u>

TOWN OF WELSH, LOUISIANA
PROPRIETARY FUND - WATER FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
Year Ended May 31, 2019

Operating revenues:	
Charges for services	\$ 298,370
Tap fees	1,000
Miscellaneous	<u>14,473</u>
	<u>313,843</u>
Operating expenses:	
Salaries	174,194
Insurance	45,420
Repairs, maintenance and supplies	198,149
Utilities	18,567
Other services and charges	83,898
Depreciation	<u>30,248</u>
	<u>550,476</u>
Operating (loss)	<u>(236,633)</u>
Nonoperating revenues (expenses):	
Interest expense	(13,199)
Grant proceeds	<u>40,455</u>
Total nonoperating revenues (expenses)	<u>27,256</u>
(Loss) before operating transfers	(209,377)
Operating transfers	<u>63,484</u>
Changes in net assets	(145,893)
Net position at beginning of year	<u>1,572,367</u>
Net position at end of year	<u>\$ 1,426,474</u>

TOWN OF WELSH, LOUISIANA

MISCELLANEOUS SUPPLEMENTARY INFORMATION RELATED TO
DRINKING WATER REVOLVING LOAN FUND
May 31, 2019

In compliance with the Bond Indenture, the following information is provided:

Section I:

A - Schedule of Insurance with expiration dates:

<u>Name of Insurer Policy Number</u>	<u>Policy Expiration Date</u>	<u>Coverage Amount</u>
Atlantic Specialty Insurance Co. 791-00-07-15-0005	10/1/2019	\$ 1,000,000 General aggregate 1,000,000 Products/completed operations 1,000,000 Coverage A 1,000,000 Personal and advertising injury 300,000 Damage to premises rented by Town 1,000,000 Employee benefits liability 1,000,000 Sexual abuse 1,000,000 Public officials' errors and omissions 1,000,000 Public Officials' employment practices 1,000,000 Law enforcement Liability
AmRISC, LP 595016	10/1/2019	2,500 Fire department service charge 25,000 Pollutant clean-up and removal 60 days Newly acquired property 10,000 Personal effects 10,000 Property of others 50,000 Valuable papers and Records 25,000 Property off-premises

(continued on next page)

(Continuation of Miscellaneous Supplementary Information related to Drinking Water Revolving Loan)

Name of Insurer Policy Number	Policy Expiration Date	Coverage Amount
		50,000 Outdoor property
		50,000 Accounts receivable
		2,500 Fire extinguisher Recharge
		1,000 Lock replacement
		5,000 Reward reimbursement
		2,500 Inventory and appraisals of loss
		20,000 Signs
		25,000 Property in transit
		25,000 Off premises power failure
National Union Fire Insurance Co. AP003391651-21	1/1/2020	500,000 Commercial general liability aviation policy
		50,000 Aviation policy- property rented to Town
		500,000 Aviation policy- personal and advertising injury aggregate
Special Risk Insurance Co. VFIS-TR-2059141-11	10/7/2019	2,000,000 General liability-fire
		2,000,000 Commercial umbrella policy declarations
Special Risk Insurance Co. VFIS-CM-1055721-11	10/7/2019	1,000,000 Auto liability-each accident-fire
Risk Management, Inc. 70-0393-16158	1/6/2020	500,000 Worker's compensation
Travelers Bond & Specialty 106599134	10/1/2019	50,000 Forgery or altercation
		50,000 On premises
		50,000 In transit
		50,000 Money orders and counterfeit money
		50,000 Computer crime
		50,000 Funds transfer fraud
		5,000 Claim expense

(Continuation of Miscellaneous Supplementary Information related to Drinking Water Revolving Loan)

Name of Insurer Policy Number	Policy Expiration Date	Coverage Amount
Lloyd's of London CLICCCF20741	11/1/2019	500,000 Building
Slott's Dale Insurance CPS31125878	10/1/2019	178,590 Equipment

Section II:

There were 1,522 residential users, 111 commercial users, and 9 industrial workers on the system at May 31, 2019.

Section III:

Analysis of additions, deletion and replacements to the physical properties of the system:

Asset	6/1/18 Balance	Additions (Deletions)	5/31/19 Balance
Construction in progress	\$ 697,613	\$ (697,613)	\$ -
Plant and equipment	2,235,368	889,645	3,125,013
	<u>\$ 2,932,981</u>	<u>\$ 192,032</u>	3,125,013
Accumulated depreciation			(1,593,910)
Net cost			<u>\$ 1,531,103</u>

Section IV:

The following are the calculated balances of reserves per bond covenant at May 31, 2019:

Revenue fund	\$ 100
Construction fund	66
Sinking fund requirement	38,271
Reserve fund requirement	23,036
Contingency fund requirement	<u>25,551</u>
	<u>\$ 87,024</u>

(Continuation of Miscellaneous Supplementary Information related to Drinking Water Revolving Loan)

Section V:

Schedules of User Fees; Aggregate Dollar Billed for Services; Average Monthly Billing per User:

Primary rates:

\$ 9.00 First 3,000 gallons and minimum bill
 \$ 2.30 Next 5,000 gallons per 1,000 gallons
 \$ 1.90 Next 10,000 gallons per 1,000 gallons
 \$ 1.50 Over 18,000 per 1,000 gallons

Two family rates:

\$16.00 First 6,000 gallons and minimum bill
 \$ 2.05 Next 10,000 gallons per 1,000 gallons
 \$ 1.90 Next 20,000 gallons per 1,000 gallons
 \$ 1.50 Over 36,000 per 1,000 gallons

The aggregate dollar billed for services for the year ended May 31, 2019 is \$297,530.

The average billed per user for the year ended May 31, 2019 is \$15.10.

Section VI:

An analysis of all funds created pursuant to the authorizing ordinance setting out as to each all deposits and disbursements made during the fiscal year:

	6/1/18 Balance	Additions	Deletions	5/31/19 Balance
Revenue fund	\$ 100	\$ -	\$ -	\$ 100
Reserve fund	12,040	10,996	-	23,036
Sinking fund	41,993	43,982	47,704	38,271
Contingency fund	17,044	8,507	-	25,551
Construction fund	102,863	393,208	496,005	66
	<u>\$ 174,040</u>	<u>\$ 456,693</u>	<u>\$ 543,709</u>	<u>\$ 87,024</u>

TOWN OF WELSH, LOUISIANA

SCHEDULE OF COMPENSATION PAID TO GOVERNING BOARD
Year Ended May 31, 2019

	<u>Salary</u>	<u>Per Diem</u>	<u>Mileage Reimbursement</u>	<u>Total</u>
Aldermen:				
Robert Owens	\$ 3,600	\$ -	\$ -	\$ 3,600
Andrea King	3,600	-	-	3,600
Lawrence Mier	3,600	300	94	3,994
J. Colby Perry	3,600	-	-	3,600
Rodney Trahan	<u>3,600</u>	<u>500</u>	<u>210</u>	<u>4,310</u>
	<u>\$ 18,000</u>	<u>\$ 800</u>	<u>\$ 304</u>	<u>\$ 19,104</u>

TOWN OF WELSH, LOUISIANA

STATEMENT OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD
Year Ended May 31, 2019

Agency Head Name: Mayor Carolyn Louviere

The Officer herein is a Mayor and as such is an employee of the State of Louisiana. The payments as required to be disclosed per Act 706 for the fiscal year ended May 31, 2019, are as follows:

Gross salary	\$ 18,000
Benefits - insurance	-
Benefits - retirement	-
Conference and seminar fees	-
Travel	710

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REPORT OF INDEPENDENT AUDITORS
ON INTERNAL CONTROL
AND COMPLIANCE

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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

Honorable Mayor
and Board of Alderman
Town of Welsh
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, as of and for the year ended May 31, 2019, and the related notes to the financial statements, which collectively comprise Town of Welsh, Louisiana's basic financial statements and have issued our report thereon dated November 21, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Welsh, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Welsh, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Welsh, Louisiana'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 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses 19-1 through 19-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Welsh, Louisiana'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 of Welsh, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Welsh, Louisiana'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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative auditor as a public document.

McElroy Quirk + Burch

Lake Charles, Louisiana
November 21, 2019

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 2019

19-1 Segregation of Duties

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

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

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

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

Response: We concur with this recommendation. Management has implemented supervision and review procedures to the extent possible.

19-2 Controls over Financial Reporting

Condition: In our judgment, the Town's accounting personnel and those charged with governance, in the course of their assigned duties, lack the resources 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.

Criteria: The Auditing Standards Board recently issued guidance to auditors related to entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. Guidance emphasizes that the auditor cannot be part of your system of internal control over financial reporting.

Effect: Material misstatements in financial statements could go undetected.

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended May 31, 2019

(Continued)

Recommendation: In our judgment, due to the lack of resources available to management to correct this material weakness in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

Response: We concur with this recommendation. Management has implemented supervision and review procedures to the extent possible.

TOWN OF WELSH, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
Year Ended May 31, 2019

18-1 Segregation of Duties

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

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

Current status: This condition still exists; however, the Town has implemented supervision and review procedures as recommended.

18-2 Controls over Financial Reporting

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: This condition still exists; however, the Town has implemented recommended procedures.

18-3 Failure to Comply with Bond Ordinance

Condition: The Town is not in compliance with several provisions of Bond Ordinance No. 768 adopted by the Board of Aldermen on March 7, 2017.

Recommendation: Management should establish the necessary funds to comply with the Bond Ordinance.

Current status: This condition was corrected.

TOWN OF WELSH, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
Year Ended May 31, 2019
(Continued)

18-4 Failure to Comply with Bond Ordinance

Condition: The Town is not in compliance with Section 4 of the Tax Compliance Certificate for the Limited Tax Certificates of Indebtedness, Series 2016.

Recommendation: Management should establish the necessary funds to comply with the Tax Compliance Certificate.

Current status: This condition was corrected.

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

To the Board of Aldermen of Welsh, Louisiana
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Town of Welsh, Louisiana (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period June 1, 2018 through May 31, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

The Town does not have a written policy regarding budgeting. They follow the Louisiana Budget Act.

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

The Town's purchasing policy does not address how vendors are added to the vendor list.

- c) **Disbursements**, including processing, reviewing, and approving

No exceptions.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

The Town does not have a written policy regarding receipts/collections.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

The Town does not have a written policy regarding payroll/personnel.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

No exceptions.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

No exceptions.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

The Town does not have a written policy regarding travel and expense reimbursements.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

The Town does not have a written policy regarding ethics.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The Town does not have a written policy regarding debt service.

Bank Reconciliations

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

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

No exceptions.

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

None of the 5 reconciliations tested were initialed or dated to indicate they had been reviewed by a member of management or board member.

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

No exceptions.

Collections

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

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

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

No exceptions.

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

No exceptions.

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

1 employee can receive cash and can also record the related transaction.

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

1 employee can receive cash and can also reconcile the bank accounts.

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

No exceptions.

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

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

No exceptions.

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

No exceptions.

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

No exceptions.

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

One deposit was made 3 days after it was received.

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

No exceptions.

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

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

No exceptions.

- b) At least two employees are involved in processing and approving payments to vendors.

No exceptions.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

The employee responsible for processing payments also can add/modify vendor files.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

The employee responsible for processing payments also mails the signed checks.

- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

No exceptions.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

No exceptions.

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

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

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

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

2 statements did not contain evidence that they were reviewed by someone other than the cardholder.

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

No exceptions.

- 13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

The documentation of 4 receipts did not contain a business purpose and 1 transaction was not supported by an original itemized receipt.

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

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

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Not Applicable.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No exceptions.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No exceptions.

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

No exceptions.

Contracts

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

The procedures in this category were excluded, as allowed by the Legislative Auditor "Rotation of Procedures" policy, due to this category having no exceptions in the previous year.

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

See note above.

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

See note above.

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

See note above.

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

See note above.

Payroll and Personnel

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

No exceptions.

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

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

No exceptions.

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

None of the 5 timecards tested were approved by supervisors.

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

No exceptions.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select 2 employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

No exceptions.

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

No exceptions.

Ethics

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

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

1 of the 5 employees tested did not have documentation that demonstrated compliance with the ethics training requirement in the fiscal year.

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

The Town does not have a written ethics policy, so this procedure was not in place.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Not applicable. No new debt issued.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select 1 bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

No exceptions.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

No exceptions.

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

No exceptions.

Management's Response and Corrective Action

Management's response and corrective action plan for exceptions noted in the above agreed-upon procedures:

- a) **Written Policies and Procedures:** The Town will develop and adopt an updated set of policies and procedures meeting the criteria outlined in the SAUPs.
- b) **Bank Reconciliations:** Procedure 3(b) – Bank reconciliations will be initialed and dated.
- c) **Collections:** Procedure 5(c-d) – The Town will develop and adopt an updated set of policies and procedures meeting the criteria outlined in the SAUPs.
- d) **Collections:** Procedure 7(d) – The town will make deposits within one day of receipt.
- e) **Disbursements:** Procedure 9 (c-d) – The Town will develop and adopt an updated set of policies and procedures meeting the criteria outlined in the SAUPs.
- f) **Credit Cards/Debit Cards/Fuel Cards/P-Cards:** Procedure 12(a) – Credit cards statements will be initialed and dated.
- g) **Credit Cards/Debit Cards/Fuel Cards/P-Cards:** Procedure 13 – The Town will ensure that itemized receipts are obtained and will document the business purpose description.
- h) **Payroll and Personnel:** Procedure 16 – The Town will implement controls to ensure timecards are approved by supervisors.
- i) **Ethics:** Procedure 20(a) – The Town will implement controls to ensure documentation is obtained for ethics training attended.

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

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

McElroy Quirk & Benish

Lake Charles, Louisiana
November 21, 2019