TOWN OF WELSH, LOUISIANA

Financial Report

Year Ended May 31, 2025

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KOLDER, SLAVEN & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Brad E. Kolder, CPA, JD*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Stephen J. Anderson, CPA*
Matthew E. Margaglio, CPA*
Casey L. Ardoin, CPA, CFE*
Wanda F. Arcement, CPA
Bryan K. Joubert, CPA
Nicholas Fowlkes, CPA
Deidre L. Stock, CPA

Of Counsel
C. Burton Kolder, CPA*

Victor R. Slaven, CPA* - retired 2020
Christine C. Doucet, CPA - retired 2022
Gerald A. Thibodeaux, Jr., CPA* - retired 2024

* A Professional Accounting Corporation

183 S. Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141

1428 Metro Dr.
Alexandria, LA 71301
Phone (318) 442-4421

450 E. Main St.
New Iberia, LA 70560
Phone (337) 367-9204

200 S. Main St.
Abbeville, LA 70510
Phone (337) 893-7944

1201 David Dr.
Morgan City, LA 70380
Phone (985) 384-2020

434 E. Main St.
Ville Platte, LA 70586
Phone (337) 363-2792

11929 Bricksome Ave.
Baton Rouge, LA 70816
Phone (225) 293-8300

WWW.KCSRCPAS.COM

INDEPENDENT AUDITOR'S REPORT

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

Report on Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Welsh, Louisiana (the Town) as of and for the year ended May 31, 2025, and the related notes to the financial statements, which collectively comprise the Town of Welsh's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of May 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 19, the Town adopted new accounting guidance, GASB Statement No. 100, Accounting Changes and Error Corrections and GASB Statement No. 101, Compensated Absences. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we exercise professional judgement and maintain professional skepticism throughout the audit. We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed. We evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements. We conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The comparative statements and the justice system funding schedule are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the comparative statements and the justice system funding schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The prior year comparative amounts were derived from the Town's 2024 financial statements, which were subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and, in our opinion were fairly presented in all material respects in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required *by Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have issued our report dated September 22, 2025, on our consideration of the Town of Welsh, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
September 22, 2025

BASIC FINANCIAL STATEMENTS

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

TOWN OF WELSH, LOUISIANA

Statement of Net Position
May 31, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and interest-bearing deposits	$ 2,200,310	$ 1,040,737	$ 3,241,047
Investments	2,942,581	1,856,503	4,799,084
Receivables, net	24,016	456,260	480,276
Internal balances	(206,618)	206,618	-
Due from other governmental agencies	96,256	256,181	352,437
Inventories	-	348,929	348,929
Total current assets	5,056,545	4,165,228	9,221,773
Noncurrent assets:			
Restricted assets -			
Cash and interest-bearing deposits	-	190,003	190,003
Investments	-	45,842	45,842
Capital assets -			
Land and construction in progress	607,900	200,704	808,604
Capital assets, net	4,647,774	7,995,001	12,642,775
Total noncurrent assets	5,255,674	8,431,550	13,687,224
Total assets	10,312,219	12,596,778	22,908,997
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	206,222	92,081	298,303
LIABILITIES			
Current liabilities:			
Accounts, salaries, and other payables	264,383	295,037	559,420
Customer deposits	-	82,479	82,479
Notes payable	-	221,202	221,202
Bonds payable	-	39,000	39,000
Accrued interest	-	1,745	1,745
Total current liabilities	264,383	639,463	903,846
Noncurrent liabilities:			
Compensated absences	79,580	37,655	117,235
Bonds payable	-	498,000	498,000
Net pension liability	625,178	331,830	957,008
Total noncurrent liabilities	704,758	867,485	1,572,243
Total liabilities	969,141	1,506,948	2,476,089
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	95,909	33,333	129,242
NET POSITION			
Net investment in capital assets	5,244,218	7,437,503	12,681,721
Restricted:			
Sales tax dedications	271,351	-	271,351
Drug law enforcement	4,432	-	4,432
Debt service	-	151,621	151,621
Unrestricted	3,933,390	3,559,454	7,492,844
Total net position	$ 9,453,391	$ 11,148,578	$20,601,969

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

TOWN OF WELSH, LOUISIANA

Statement of Activities
For the Year Ended May 31, 2025

Activities	Expenses	Program Revenues: Fees, Fines, and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities	Net (Expense) Revenues and Changes in Net Position: Business-Type Activities	Total
Governmental activities:							
General government	$ 580,831	$ 186,969	$ -	$ 743,512	$ 349,650	$ -	$ 349,650
Public safety	1,967,710	1,151,496	100,340	-	(715,874)	-	(715,874)
Public works	672,824	-	-	-	(672,824)	-	(672,824)
Culture and recreation	132,176	57,874	-	-	(74,302)	-	(74,302)
Interest on long-term debt	7	-	-	-	(7)	-	(7)
Total governmental activities	3,353,548	1,396,339	100,340	743,512	(1,113,357)	-	(1,113,357)
Business-type activities:							
Water utility	629,831	512,864	50,291	-	-	(66,676)	(66,676)
Sewer utility	465,787	432,574	-	75,000	-	41,787	41,787
Electric utility	3,141,177	3,618,919	-	-	-	477,742	477,742
Sanitation utility	229,606	430,585	-	-	-	200,979	200,979
Total business-type activities	4,466,401	4,994,942	50,291	75,000	-	653,832	653,832
Total	$ 7,819,949	$ 6,391,281	$ 150,631	$ 818,512	(1,113,357)	653,832	(459,525)

	Governmental Activities	Business-Type Activities	Total
General revenues:			
Taxes -			
Property taxes, levied for general purposes	134,696	-	134,696
Sales and use taxes, levied for general purposes	1,141,020	-	1,141,020
Franchise taxes	28,622	-	28,622
Grants and contributions not restricted to specific programs	31,042	-	31,042
Jefferson Davis Parish Sanitary Landfill Commission	389,285	-	389,285
Non-employer pension contribution	21,571	19,322	40,893
Interest and investment earnings	146,443	69,243	215,686
Landfill and other dump fees	-	771,023	771,023
Miscellaneous	126,979	-	126,979
Transfers	744,957	(744,957)	-
Total general revenues and transfers	2,764,615	114,631	2,879,246
Change in net position	1,651,258	768,463	2,419,721
Net position - June 1, 2024	7,802,133	10,380,115	18,182,248
Net position - May 31, 2025	$ 9,453,391	$ 11,148,578	$ 20,601,969

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

FUND FINANCIAL STATEMENTS (FFS)

FUND DESCRIPTIONS

MAJOR FUNDS

General Fund

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

Special Revenue Fund

1996 Sales Tax Fund -
To account for the receipt and use of proceeds of a 1% sales and use tax to be used for constructing, improving, resurfacing and maintaining public streets, alleys and sidewalks, including drainage, and acquiring equipment therefore and to be funded into bonds.

Enterprise Fund

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

TOWN OF WELSH, LOUISIANA

Balance Sheet
Governmental Funds
May 31, 2025

	General	1996 Sales Tax Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and interest-bearing deposits	$1,789,327	$ 408,985	$ 1,998	$2,200,310
Investments	2,712,585	229,996	-	2,942,581
Receivables:				
Taxes	4,126	-	-	4,126
Accounts	19,890	-	-	19,890
Due from other governmental agencies	48,102	48,102	52	96,256
Due from other funds	74,144	-	88	74,232
Total assets	$4,648,174	$ 687,083	$ 2,138	$5,337,395
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 74,757	$ 142,515	$ -	$ 217,272
Retainage payable	-	11,456	-	11,456
Accrued expenses	32,866	2,789	-	35,655
Due to other funds	21,179	259,671	-	280,850
Total liabilities	128,802	416,431	-	545,233
Fund balances:				
Restricted for sales tax dedications	-	270,652	699	271,351
Restricted for drug law enforcement	4,432	-	-	4,432
Unassigned	4,514,940	-	1,439	4,516,379
Total fund balances	4,519,372	270,652	2,138	4,792,162
Total liabilities and fund balances	$4,648,174	$ 687,083	$ 2,138	$5,337,395

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

TOWN OF WELSH, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
May 31, 2025

Total fund balances for governmental funds at May 31, 2025		$4,792,162
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. Those assets consist of:		
Capital assets, net		5,255,674
The deferred outflows of expenditures for the municipal and police employees retirement systems are not a use of current resources, and therefore, are not reported in the governmental funds.		206,222
Long-term liabilites are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated absences payable	$ (79,580)	
Net pension liability	(625,178)	(704,758)
The deferred inflows of contributions for the municipal and police employees retirement systems are not available resources, and therefore, are not reported in the governmental funds.		(95,909)
Total net position of governmental activities at May 31, 2025		$9,453,391

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

TOWN OF WELSH, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Year Ended May 31, 2025

	General	1996 Sales Tax Fund	Nonmajor Funds	Total Governmental Funds
Revenues:				
Taxes	$ 733,259	$ 569,941	$ 1,138	$ 1,304,338
Licenses and permits	186,969	-	-	186,969
Intergovernmental	817,894	57,000	-	874,894
Charges for services	57,874	-	-	57,874
Fines and forfeits	1,151,496	-	-	1,151,496
Jefferson Davis Parish Sanitary Landfill	389,285	-	-	389,285
Miscellaneous	256,091	17,331	-	273,422
Total revenues	3,592,868	644,272	1,138	4,238,278
Expenditures:				
Current -				
General government	521,898	12,897	439	535,234
Public safety	1,888,462	-	-	1,888,462
Public works	-	545,018	-	545,018
Culture and recreation	113,360	-	-	113,360
Capital outlay	259,933	813,084	-	1,073,017
Debt service	-	1,260	-	1,260
Total expenditures	2,783,653	1,372,259	439	4,156,351
Excess (deficiency) of revenues over expenditures	809,215	(727,987)	699	81,927
Other financing sources / (uses):				
Transfers in	143,457	601,500	-	744,957
Net changes in fund balances	952,672	(126,487)	699	826,884
Fund balance, beginning	3,566,700	397,139	1,439	3,965,278
Fund balances, ending	$ 4,519,372	$ 270,652	$ 2,138	$ 4,792,162

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

TOWN OF WELSH, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended May 31, 2025

Total net changes in fund balances at May 31, 2025, per statement of revenues, expenditures, and changes in fund balances		$ 826,884
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	$ 1,073,017	
Depreciation expense	(307,917)	765,100
Debt proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, retirement of principal is recorded as an expenditures in the governmental funds but reduce the liability in the statement of net position.		
Principal payments		1,253
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Pension expense	31,824	
Compensated absences	4,626	36,450
Because some revenues are not considered measurable at year-end, they are not considered "available" revenues in the governmental funds.		
Nonemployer pension contributions		21,571
Total changes in net position at May 31, 2025, per statement of activities		$ 1,651,258

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

TOWN OF WELSH, LOUISIANA

Statement of Net Position
Proprietary Fund
May 31, 2025

	Enterprise Fund
ASSETS	
Current assets:	
Cash and interest-bearing deposits	$ 1,040,737
Investments	1,856,503
Accounts receivable, net	456,260
Due from other funds	206,706
Due from other governmental agencies	256,181
Inventory	348,929
Total current assets	4,165,316
Noncurrent assets:	
Restricted assets -	
Cash and interest-bearing deposits	190,003
Investments	45,842
Capital assets -	
Land and construction in progress	200,704
Capital assets, net	7,995,001
Total noncurrent assets	8,431,550
Total assets	12,596,866
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	92,081
LIABILITIES	
Current liabilities:	
Accounts payable	271,813
Accrued liabilities	23,224
Due to other funds	88
Notes payable	221,202
Payable from restricted assets -	
Customer deposits	82,479
Revenue bonds payable	39,000
Interest payable	1,745
Total current liabilities	639,551
Noncurrent liabilities:	
Compensated absences	37,655
Revenue bonds payable	498,000
Net pension liability	331,830
Total noncurrent liabilities	867,485
Total liabilities	1,507,036
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	33,333
NET POSITION	
Net investment in capital assets	7,437,503
Restricted for debt service	151,621
Unrestricted	3,559,454
Total net position	$ 11,148,578

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

TOWN OF WELSH, LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended May 31, 2025

	Enterprise Fund
Operating revenues:	
Charges for services	$ 4,931,019
Miscellaneous	63,923
Total operating revenues	4,994,942
Operating expenses:	
Salaries	583,294
Payroll taxes	42,621
Retirement	76,988
Group insurance	102,691
Insurance	134,341
Utilities and telephone	115,340
Repairs and maintenance	131,290
Supplies	317,801
Legal and professional fees	250,035
Travel and conferences	10,214
Uniforms	13,510
Office supplies	15,834
Power purchased	2,100,304
Depreciation	471,834
Chemicals	56,737
Bad debt expense	7,554
GASB 68 adjustments	(23,592)
Miscellaneous	30,198
Total operating expenses	4,436,994
Operating income	557,948
Nonoperating revenues (expenses):	
Investment income	69,243
Lanfill and other dump fees	771,023
Interest expense	(29,407)
Non-employer contributions	19,322
Grant revenue	50,291
Total nonoperating revenues	880,472
Income before transfers	1,438,420
Capital contributions	75,000
Transfers:	
Transfers out	(744,957)
Total transfers	(744,957)
Change in net position	768,463
Net position, beginning	10,380,115
Net position, ending	$ 11,148,578

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

TOWN OF WELSH, LOUISIANA

Statement of Cash Flows
Proprietary Fund
For the Year Ended May 31, 2025

Cash flows from operating activities:	
Receipts from customers	$ 4,903,094
Payments to suppliers	(3,263,663)
Payments to employees	(802,740)
Net cash provided by operating activities	836,691
Cash flows from noncapital financing activities:	
Landfill and other dump fees	771,023
Amounts transferred to other funds	(744,957)
Amounts owed from other funds	71,455
Net cash used by noncapital financing activities	97,521
Cash flows from capital and related financing activities:	
Purchase and construction of capital assets	(521,214)
Principal payments	(122,130)
Grants received	50,291
Interest paid	(29,531)
Net cash used by capital and related financing activities	(622,584)
Cash flows from investing activities:	
Purchases of investments	(548,610)
Interest income	69,243
Net cash provided by investing activities	(479,367)
Net increase in cash and cash equivalents	(167,739)
Cash and cash equivalents, beginning of period	1,398,479
Cash and cash equivalents, end of period	$ 1,230,740

(continued)

TOWN OF WELSH, LOUISIANA

Statement of Cash Flows
Proprietary Fund (Continued)
For the Year Ended May 31, 2025

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 557,948
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	471,834
Bad debt expense	7,554
Pension expense	(23,592)
Changes in current assets and liabilities:	
Increase in accounts receivable	(97,048)
Increase in inventory	(2,128)
Increase in customer deposits	5,200
Decrease in accounts and other payables	(83,077)
Total adjustments	278,743
Net cash provided by operating activities	$ 836,691
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:	
Cash and cash equivalents, beginning of period -	
Cash - unrestricted	$ 1,229,306
Cash - restricted	169,173
Total cash and cash equivalents	1,398,479
Cash and cash equivalents, end of period -	
Cash - unrestricted	1,040,737
Cash - restricted	190,003
Total cash and cash equivalents	1,230,740
Net increase in cash and cash equivalents	$ (167,739)

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

(1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

There are no component units over which the Town exercises significant influence.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

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

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

Fund Financial Statements

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

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

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

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

The Town reports the following major governmental funds:

General Fund -

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

Special Revenue Funds:

1996 Sales Tax Fund -

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

The Town reports the following major enterprise fund:

Utility Fund -

This fund account for operations of the water, sewer, electric, and sanitation services (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus/Basis of Accounting

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

Measurement Focus

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

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

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

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

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

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

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

Cash and interest-bearing deposits

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

At May 31, 2025, all of the Town's investments are in the Louisiana Asset Management Pool (LAMP), which are stated at fair value.

Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables."

Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

Inventories

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

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities are occupational licenses, sales and use taxes and grants. Business-type activities report federal grants and customer's utility service receivables as their major receivables. Uncollectible utility service receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance for uncollectibles for customers' utility receivables was $29,411 at May 31, 2025.

Restricted Assets

Restricted assets include cash, interest-bearing deposits, and investments of the proprietary fund that is legally restricted as to its use. The restricted assets are related to debt service accounts and utility meter deposits.

Capital Assets

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

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

Compensated Absences

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

a. The Town's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.

b. The obligation relates to rights that vest or accumulate.

c. Payment of the compensation is probable.

d. The amount can be reasonably estimated.

In accordance with above criteria the Town has accrued a liability for vacation pay that has been earned but not taken by Town employees. At May 31, 2025, the Town has $117,235 of noncurrent accumulated leave benefits required to be reported in accordance with GASB Statement No. 101 "Accounting for Compensated Absences".

Long-term debt

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

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of utility revenue bonds and notes payable. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

Equity Classifications

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. In the government-wide statements, the Town reports three components as follows:

a. Net investment in capital assets – Consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

b. Restricted net position – Net position is considered restricted if the use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Town's debt. Restricted net position is reduced by liabilities related to the restricted assets. Constraints may be placed on the use, either by (1) external groups, such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project. For the year ended May 31, 2025, the Town reported $427,404 of restricted net position, $271,351 of which was restricted by enabling legislation.

c. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

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

a. Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

b. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

c. Committed – amounts that can be used only for specific purposes determined by a formal action of the Town Alderman, which is the highest level of decision-making authority for the Town.

d. Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes determined by a formal decision of the Town's Mayor and Town Alderman.

e. Unassigned – all other spendable amounts.

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

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

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

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

Expenditures/Expenses

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

In the fund financial statements, governmental funds expenditures are classified by character and proprietary fund expenses are classified by operating and nonoperating.

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

Interfund Transfers

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

F. Revenue Restrictions

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

Revenue Source	Legal Restrictions of Use
Sales tax	See Note 3
Utility revenues	Debt service

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

G. Use of Estimates

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

H. Pensions

The net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension, and pension expense, has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. Non-employer contributions are recognized as revenues in the government-wide financial statements. In the governmental fund financial statements contributions are recognized as expenditures when due.

(2) Ad Valorem Taxes

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

For the year ended May 31, 2025, taxes of 6.31 mills were levied on property with assessed valuations totaling $20,133,696 and were dedicated for general corporate purposes. Total taxes levied for the year ended May 31, 2025 were $127,045. Taxes receivable at May 31, 2025 amounted to $4,126.

(3) Sales and Use Tax

Proceeds of a 1% sales and use tax levied by the Town, accounted for in the General Fund, (2025 collections $569,941) are dedicated to the following purposes: police and fire department stations and equipment, sidewalks, bridges, recreational facilities, drains and drainage facilities, improving and/or maintaining streets and public buildings, and purchasing and acquiring equipment and furnishing public works. The sales tax expires in June 2044.

Proceeds of a 1% sales and use tax levied by the Town, accounted for in the 1996 Sales Tax Fund, (2025 collections $569,941) are dedicated to the following purposes: constructing, improving, resurfacing and maintaining public streets, alleys and sidewalks, including drainage, and acquiring equipment therefore and to be funded into bonds. The sales tax expires in April 2041.

Proceeds of a 2% sales and use tax levied by the Town, accounted for in the Welsh Economic Development District No.1 Fund, (2025 collections $1,138) are dedicated to the following purposes: infrastructure improvements and economic development projects. The sales tax is levied and imposed in perpetuity.

(4) Cash and Interest-Bearing Deposits

Under state law, the Town may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Town may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At May 31, 2025, the Town has cash and interest-bearing deposits (book balances) totaling $3,431,050.

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

Deposit balances (bank balances) at May 31, 2025 are secured as follows:

Bank balances	$3,756,248
Federal deposit insurance	$ 753,294
Pledged securities	3,002,954
Total	$3,756,248

Deposits in the amount of $3,002,954 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent but not in the Town's name. Even though the pledged securities are considered uncollateralized, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand. The Town does not have a policy for custodial credit risk.

(5) Investments

Investments held at May 31, 2025 consist of $4,844,926 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 that have contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments.

The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

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

Credit risk - State law limits investments to United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having a principal office in the State of Louisiana. Local governments in Louisiana are authorized to invest in LAMP. The Town has no investment policy that would further limit its investment choices. As of May 31, 2025, 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 the Town's investments are in LAMP.

(6) Receivables, net

Receivables at May 31, 2025 consist of the following:

Governmental Activities -	
LAMATS - occupational licenses	$ 13,008
State of Louisiana	6,882
Ad valorem taxes	4,126
Total governmental activities	24,016
Business-Type Activities -	
Accounts, net	456,260
Total receivables, net	$ 480,276

(7) Due from Other Governmental Agencies

Amounts due from other governmental agencies at May 31, 2025 consisted of the following:

Governmental Activities -	
Jefferson Davis School Board - sales and use taxes	$ 96,256
Business-Type Activities -	
FEMA hurricane grant	256,181
Total due from governmental agencies	$ 352,437

(8) Capital Assets

Capital asset activity for the year ended May 31, 2025 was as follows:

	Balance 06/01/24	Additions	Deletions	Balance 05/31/25
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 67,599	$ 64,000	$ -	$ 131,599
Construction in progress	1,210,037	267,417	1,001,153	476,301
Capital assets being depreciated:				
Buildings and improvements	2,343,552	21,375	-	2,364,927
Furniture and equipment	1,486,168	154,601	-	1,640,769
Vehicles	1,407,699	105,068	-	1,512,767
Infrastructure	1,837,768	1,461,709	-	3,299,477
Totals	8,352,823	2,074,170	1,001,153	9,425,840
Less accumulated depreciation:				
Buildings and improvements	1,394,924	51,230	-	1,446,154
Furniture and equipment	1,177,301	102,057	-	1,279,358
Vehicles	1,126,316	89,891	-	1,216,207
Infrastructure	163,708	64,739	-	228,447
Totals	3,862,249	307,917	-	4,170,166
Governmental activities, capital assets, net	$ 4,490,574	$1,766,253	$ 1,001,153	$ 5,255,674
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 200,704	$ -	$ -	$ 200,704
Construction in progress	42,752	314,731	357,483	-
Capital assets being depreciated:				
Plant and equipment - water	4,774,665	3,000	-	4,777,665
Plant and equipment - sewer	7,384,383	363,493	-	7,747,876
Plant and equipment - electric	3,409,290	197,476	-	3,606,766
Plant and equipment - sanitation	593,307	-	-	593,307
Totals	16,405,101	878,700	357,483	16,926,318
Less accumulated depreciation:				
Plant and equipment - water	1,996,549	135,411	-	2,131,960
Plant and equipment - sewer	3,717,609	137,869	-	3,855,478
Plant and equipment - electric	2,265,543	119,597	-	2,385,140
Plant and equipment - sanitation	279,078	78,957	-	358,035
Total accumulated depreciation	8,258,779	471,834	-	8,730,613
Business-type activities, capital assets, net	$ 8,146,322	$ 406,866	$ 357,483	$ 8,195,705

Depreciation expense was charged to governmental activities as follows:

General government	$ 51,960
Public safety	104,994
Public works	132,147
Culture and recreation	18,816
Total depreciation	$ 307,917

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

Water	$ 135,411
Sewer	137,869
Electric	119,597
Sanitation	78,957
Total depreciation	$ 471,834

(9) Restricted Assets

Assets were restricted for the following purposes at May 31, 2025:

Business-type activites:	
Customer deposits	$ 82,479
Construction Fund	5,934
Debt service -	
2017 Bond reserve and sinking funds	147,432
Total restricted assets - business-type activities	$ 235,845

(10) Accounts, Salaries, and Other Payables

The accounts, salaries, and other payables consisted of the following at May 31, 2025:

	Governmental Activities	Business-Type Activities	Total
Accounts	$ 217,272	$ 271,813	$ 489,085
Retainage payable	11,456	-	11,456
Accrued payroll and related liabilities	35,655	23,224	58,879
Totals	$ 264,383	$ 295,037	$ 559,420

(11) Changes in Long-Term Debt

The following is a summary of the changes for the year ended May 31, 2025:

	Balance 06/01/24	Additions	Reductions	Balance 05/31/25	Current Portion
Governmental activities:					
Compensated absences	$ 84,206	$ 67,449	$ 72,075	$ 79,580	$ -
Notes payable	1,253	-	1,253	-	-
Totals	$ 85,459	$ 67,449	$ 73,328	$ 79,580	$ -
Business-type activities:					
Compensated absences	$ 34,801	$ 12,165	$ 9,311	$ 37,655	$ -
Notes payable	305,331	-	84,129	221,202	221,202
Revenue bonds	575,000	-	38,000	537,000	39,000
Totals	$ 915,132	$ 12,165	$ 131,440	$ 795,857	$ 260,202

Long-term debt at May 31, 2025 is comprised of the following:

		Current Portion
Direct placement bonds payable -		
Business-type activities:		
$780,000 Taxable Utilities Revenue Bonds, Series 2017, due in annual installments of $7,000 to $51,000 through April 1, 2037, interest rate of 1.95%, payable from utilities system revenues.	$ 537,000	$ 39,000
Total bonds payable	$ 537,000	$ 39,000
Notes payable -		
$378,303 note payable dated June 28, 2023, due in monthly installments of $8,298, including interest at 5.780%, through July 28, 2025 with a baloon payment of $215,000 on July 28, 2025, secured by utility fund revenues at May 31, 2025.	$ 221,202	$ 221,202
Total notes payable	$ 221,202	$ 221,202

The annual requirements to amortize debt outstanding at May 31, 2025 are as follows:

Year Ended May 31	Business-Type Activities			
	Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2026	$ 39,000	$ 13,157	$221,202	$ 2,096
2027	40,000	12,201	-	-
2028	41,000	11,221	-	-
2029	42,000	10,217	-	-
2030	43,000	9,188	-	-
2031-2035	232,000	29,546	-	-
2036-2037	100,000	3,700	-	-
Totals	$537,000	$ 89,230	$221,202	$ 2,096

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

Under the terms of the bond ordinance on outstanding Taxable Utilities Revenue Bonds, Series 2017, as long as any bonds are outstanding, the Town covenants to deposit revenues into a "Utilities System Revenue Fund" sufficient to pay all reasonable and necessary expenses of operating and maintain the system (combined water, sewer, and electric utilities). The Town is required to maintain a separate account that is designated as the "Utilities Revenue Bond and Interest Sinking Fund". Each month, there will be set aside into the fund an amount constituting a pro-rata amount of the interest due on the next interest payment date and the pro-rata amount of the principal due on the next principal payment date. The Town is also required to maintain a "Utilities Revenue Bond Reserve Fund" for monthly deposits equal to 25% of the amount to be paid into the Sinking Fund until such time as there has been accumulated an amount equal to the reserve fund requirement ($26,567 at May 31, 2025). Additionally, the Town is required to make monthly deposits of 5% of the preceding month's net revenues into a "Utilities Depreciation and Contingencies Fund" to fund extensions, additions, improvements, renewals and replacements necessary to operate the system. The deposits into the Contingencies Fund may cease once the sum of $100,000 has been accumulated.

Pursuant to the bond ordinance, the Town covenants to fix, establish, maintain, and collect revenues sufficient to pay the reasonable and necessary expenses of operating the utilities system, the principal and interest maturing on the bonds, all reserves and sinking fund payments, and to provide excess annual revenues in each fiscal year in an amount equal to at least 125% of the highest combined annual principal and interest requirements on the bonds issued. The Town was in compliance with all significant limitations and restrictions in the various bond indentures and ordinances as of May 31, 2025.

(13) Employee Retirement Systems

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

Substantially all Town employees participate in one of the following retirement systems:

Plan Descriptions:

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

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

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

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

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

[1] With actuarial reduced benefits

[2] Membership commencing January 1, 2013

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

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

Contributions

Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems' Actuarial Committee. Contributions of employees, employers, and non-employer contributing entities effective for the year ended May 31, 2025 for the defined benefit pension plans in which the Town is a participating employer were as follows:

Plan	Active Member Contribution Percentage	Employer Contribution Percentage	Nonemployer Contributing Entities	Government Contributions
MERS	5.00%	15.50%	$ 26,468	$ 105,998
MPERS	10.00%	35.60%	14,425	66,434
Total			$ 40,893	$ 172,432

Net Pension Liability

The Town's net pension liability at May 31, 2025 is comprised of its proportionate share of the net pension liability relating to each of the cost-sharing plans in which the Town is a participating employer. The Town's net pension liability for each plan was measured as of the plan's measurement date (June 30, 2024 for both plans) and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportionate share of the net pension liability for each of the plans in which it participates was based on the Town's required contributions in proportion to total required contributions for all employers.

As of the most recent measurement date, the Town's proportion for each plan and the change in proportion from the prior measurement date were as follows:

Plan	Proportionate Share of Net Pension Liability	Proportionate Share (%) of Net Pension Liability	Increase/(Decrease) from Prior Measurement Date
MERS	$ 454,561	0.749144%	-0.040480%
MPERS	502,447	0.055458%	-0.008161%
Total	$ 957,008		

Since the measurement date of the net pension liability was June 30, 2024, the net pension liability is based upon fiduciary net position for each of the plans as of those dates. Detailed information about each pension plan's assets, deferred outflows, deferred inflows, and fiduciary net position that was used in the measurement of the Town's net pension liability is available in the separately issued plan financial reports for those fiscal years. The financial report for each plan may be accessed on their website as follows: MERS – http://www.mersla.com ; MPERS – http://lampers.org/ .

Actuarial Assumptions

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

	MERS	MPERS
Date of experience study	7/1/2018-6/30/2023	7/1/2014-6/30/2019
Actuarial cost method	Entry Age Normal	Entry Age Normal
Investment rate of return	6.85%, net of investment expense	6.75%, net of investment expense
Expected remaining service lives	3	4
Inflation rate	2.5%	2.5%
Projected salary increases	4.6% - 9.5%	4.7% - 12.3%
Projected benefit changes including COLAs	None	None
Source of mortality assumptions	(1), (2), (3)	(4), (5), (6)

(1) PubG-2010(B) Healthy Retiree Table set equal to 115% for males and females, each adjusted using MP2021 scales

(2) PubG-2010(B) Employee Table set equal to 115% for males and females, each adjusted using MP2021 scales

(3) PubNS-2010(B) Disabled Retiree Table set equal to 115% for males and 120% females with full generational MP2021 scale

(4) Pub-2010 Safety Below-Median Healthy Retiree Table multiplied by 115% for males and 125% for females, each with full generational projection using the MP 2019 scale.

(5) Pub-2010 Safety Below-Median Employee Table multiplied by 115% for males and 125% for females, each with full generational projection using the MP 2019 scale.

(6) Pub-2010 Safety Disable Retiree Table multiplied by 105% for males and 115% for females, each with full generational projection using the MP 2019 scale.

Cost of Living Adjustments

The pension plans in which the Town participates have the authority to grant cost-of-living adjustments (COLAs) on an ad hoc basis.

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

Discount Rate

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

Long-term Rate of Return

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

	MERS		MPERS	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Public equity	56.00%	2.44%	52.00%	3.14%
Public fixed income	29.00%	1.26%	34.00%	1.07%
Alternative Investments	15.00%	0.65%	14.00%	1.03%
Totals	100.00%	4.35%	100.00%	5.24%
Inflation		2.50%		2.62%
Expected arithmetic nominal return		6.85%		7.86%

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

Changes in the net pension liability may either be reported in pension expense in the year the change occurred or recognized as a deferred outflow of resources or a deferred inflow of resources in the year the change occurred and amortized into pension expense over a number of years. For the year ended May 31, 2025, the Town recognized $73,171 and $73,323 in pension expense related to MERS and MPERS, respectively.

At May 31, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	MERS	MPERS	Total
Difference between expected and actual experience	$ 4,316	$ 27,204	$ 31,520
Change in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	16,360	53,727	70,087
Contributions subsequent to the measurement date	105,072	91,624	196,696
Total	$ 125,748	$ 172,555	$ 298,303

	Deferred Inflows of Resources		
	MERS	MPERS	Total
Difference between expected and actual experience	$ 3,719	$ 15,199	$ 18,918
Changes of assumptions	16,921	-	16,921
Change in proportion and differences between the employer'sontributions and the employer's proportionate share of contributions	25,022	68,381	93,403
Total	$ 45,662	$ 83,580	$ 129,242

Deferred outflows of resources of $196,696 resulting from the employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability during the subsequent year. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions to be recognized in pension expense are as follows:

Year Ended May 31	MERS	MPERS	Total
2026	$ (22,279)	$ 16,835	$ (5,444)
2027	21,114	23,698	44,812
2028	(13,559)	(34,374)	(47,933)
2029	(10,262)	(8,808)	(19,070)
	$ (24,986)	$ (2,649)	$ (27,635)

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

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

		Net Pension Liability		
Plan	Current Discount Rate	1% Decrease	Current Discount Rate	1% Increase
MERS	6.85%	$ 705,828	$ 454,561	$ 242,198
MPERS	6.75%	746,373	502,447	298,817
Total		$ 1,452,201	$ 957,008	$ 541,015

Payables to the Pension Plans

At May 31, 2025, the Town's payables were $11,490 and $12,013 to MERS and MPERS, respectively, for the month of May 2025, which were the contractually required contributions.

(14) Unearned Revenue

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

As of May 31, 2025, the Town has expended the remaining $595,458 of the $1,195,458 ARPA funds received.

(15) Interfund Transactions

A. Receivables and Payables

Interfund receivables and payables consisted of the following at May 31, 2025:

	Interfund Receivables	Interfund Payables
Major Funds:		
Governmental Funds:		
General Fund	$ 74,144	$ 21,179
Sales Tax Fund	-	259,671
Enterprise Fund:		
Utility Fund	206,706	88
Nonmajor Funds	88	-
Total	$ 280,938	$ 280,938

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

B. Interfund transfers

Interfund transfers consisted of the following at May 31, 2025:

	Interfund Transfers In	Interfund Transfers Out
Governmental Funds:		
General Fund	$ 143,457	$ -
Sales Tax Fund	601,500	-
Proprietary Funds:		
Electric Utility Fund	-	744,957
Total	$ 744,957	$ 744,957

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

(16) Landfill Joint Venture

The Town is a participant in a joint venture referred to as the Jefferson Davis Parish Sanitary Landfill Commission. This entity was chartered on February 17, 1984. The Commission's purpose is the establishment of a long-term plant for the disposal of solid waste 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:

Locality	Number of Households	Percentages
Jennings	4,161	0.421196
Welsh	1,167	0.118129
Lake Arthur	1,212	0.122684
Parish (excluding Jennings, Welsh, Lake Arthur and Elton)	3,339	0.337991
Total	9,879	1.0000000

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, 2024 (the latest available audited financial statements) was as follows:

	Total	Welsh (11.8129%)
Total assets and deferred outflows of resources	$ 6,280,139	$ 741,867
Total liabilities and deferred inflows of resources	62,188	7,346
Total net position	6,217,951	734,520
Total liabilities, deferred inflows of resources, and net position	6,280,139	741,867
Total revenue	4,207,272	497,001
Total expenditures	4,170,176	492,619
Net decrease in net position	37,096	4,382

As of December 31, 2024, 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 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 the members of the commission.

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

(17) Risk Management

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

(18) Contingencies

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

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

(19) Adoption of New Accounting Guidance

As of June 1, 2024, the Town adopted the requirements of Governmental Accounting Standards Board (GASB) Statement No. 100, Accounting Changes and Error Corrections. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

During the fiscal year, the Town also adopted the requirements of Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences. The objective of this statement is to better meet the financial statement needs of users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. The implementation of these standards had no material effect on the Town's financial statements for the year ended May 31, 2025.

(20) Compensation of Town Alderman

The compensation paid to the alderman for the year ended May 31, 2025 follows:

Alderman	Term	Amount
Clint Hardy	6/1/2024 - 12/31/2024	$ 2,100
Ronald Hayes	6/1/2024 - 12/31/2024	2,100
Andrea King	6/1/2024 - 5/31/2025	4,100
Lawrence Mier	6/1/2024 - 5/31/2025	4,100
Jackie Balmer	6/1/2024 - 5/31/2025	4,100
Chuck Abell	1/1/2025 - 5/31/2025	2,000
Melward Doucet Jr.	1/1/2025 - 5/31/2025	2,000
Total		$ 20,500

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

The schedule of compensation, benefits, and other payments to the Mayor for the year ended May 31, 2025 follows:

	Karl Arceneaux
Salary	$ 22,000
Benefits - payroll taxes	1,791
Per diem	1,268
Registration fees	611
Total	$ 25,670

(22) Unfunded Retirement Obligation: Municipal Police Employee Retirement System (MPERS)

As of May 31, 2025, the Town reduced the number of MPERS participating employees from 5 to 3. Under Louisiana Revised Statute 11:2225.4, when a Town's MPERS participating employees decrease in this manner, the Town must pay its share of unfunded retirement obligations to MPERS. The Town has an actuarial determined liability of $201,066 related to the unfunded portion under the revised statute. As such, the Town is required to pay $1,748 monthly for 15 years to fulfill its obligation to MPERS.

However, under R.S. 11:2225.4, the Town is eligible to eliminate the unfunded retirement obligations by increasing the participating employees at the end of the pension plan year (June 30, 2025). As of June 30, 2025, the Town met all requirements to eliminate the obligations, and therefore, no liability is accrued in the financial statements.

REQUIRED
SUPPLEMENTARY INFORMATION

TOWN OF WELSH, LOUISIANA
General Fund

Budgetary Comparison Schedule
For the Year Ended May 31, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	$ 773,500	$ 730,613	$ 733,259	$ 2,646
Licenses and permits	165,300	201,733	186,969	(14,764)
Intergovernmental	134,000	924,343	817,894	(106,449)
Charges for services	39,500	66,079	57,874	(8,205)
Fines and forfeitures	650,150	1,167,644	1,151,496	(16,148)
Jeff Davis Sanitary Landfill	320,000	408,187	389,285	(18,902)
Miscellaneous	131,500	274,120	256,091	(18,029)
Total revenues	2,213,950	3,772,719	3,592,868	(179,851)
Expenditures:				
Current -				
General government	498,575	528,531	521,898	6,633
Public safety	1,601,235	1,897,554	1,888,462	9,092
Culture and recreation	118,425	97,698	113,360	(15,662)
Capital outlay	214,700	180,123	259,933	(79,810)
Total expenditures	2,432,935	2,703,906	2,783,653	(79,747)
Excess (deficiency) of revenues over expenditures	(218,985)	1,068,813	809,215	(259,598)
Other financing sources:				
Transfers in	300,000	150,000	143,457	(6,543)
Net change in fund balance	81,015	1,218,813	952,672	266,141
Fund balance, beginning	3,725,318	3,566,700	3,566,700	-
Fund balance, ending	$3,806,333	$4,785,513	$4,519,372	$ 266,141

See notes to required supplementary information.

TOWN OF WELSH, LOUISIANA
1996 Sales Tax Fund

Budgetary Comparison Schedule
For the Year Ended May 31, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes -sales	$ 600,000	$ 567,496	$ 569,941	$ 2,445
State grants	-	60,000	57,000	(3,000)
Miscellaneous	11,100	12,915	17,331	4,416
Total revenues	611,100	640,411	644,272	3,861
Expenditures:				
Current -				
General government				
Collection fees	13,000	11,945	12,225	(280)
Legal and professional fees	-	-	500	(500)
Travel and conferences	-	-	128	(128)
Office supplies	100	59	44	15
Total general government	13,100	12,004	12,897	(893)
Public works				
Salaries	100,000	103,653	103,142	511
Payroll taxes	7,650	8,140	7,825	315
Retirement	10,320	14,052	13,457	595
Group insurance	34,350	31,587	30,150	1,437
Insurance	38,400	32,501	32,624	(123)
Utilities and telephone	28,472	28,500	28,502	(2)
Repairs and maintenance	240,000	221,927	227,364	(5,437)
Supplies	31,000	39,468	43,941	(4,473)
Legal and professional fees	62,000	51,907	53,481	(1,574)
Rent	5,500	-	-	-
Uniforms	4,000	4,421	4,532	(111)
Total public works	561,692	536,156	545,018	(8,862)
Capital outlay	207,000	824,166	813,084	11,082
Debt service	1,260	1,260	1,260	-
Total expenditures	783,052	1,373,586	1,372,259	1,327
Excess (deficiency) of revenues over expenditures	(171,952)	(733,175)	(727,987)	5,188
Other financing sources:				
Transfers in	-	600,000	601,500	(1,500)
Net change in fund balance	(171,952)	(133,175)	(126,487)	3,688
Fund balance, beginning	561,621	397,139	397,139	-
Fund balance, ending	$ 389,669	$ 263,964	$ 270,652	$ 3,688

See notes to required supplementary information.

TOWN OF WELSH, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
For the Year Ended May 31, 2025*

Plan Year	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Municipal Employees Retirement System					
2024	0.749144%	$ 454,561	$ 682,429	66.6%	80.10%
2023	0.789624%	633,169	679,925	93.1%	73.25%
2022	0.816743%	717,087	656,629	109.2%	69.56%
2021	0.748927%	433,860	575,566	75.4%	79.14%
2020	0.777844%	704,903	600,462	117.4%	66.26%
2019	0.820864%	718,103	627,516	114.4%	66.14%
2018	0.834175%	705,572	618,071	114.2%	65.60%
2017	0.864012%	747,572	692,241	108.0%	63.49%
2016	0.940167%	779,312	750,742	103.8%	63.34%
2015	0.826355%	561,630	615,096	91.3%	68.71%
Municipal Police Employees Retirement System					
2024	0.055458%	$ 502,447	$ 186,300	269.7%	75.84%
2023	0.063619%	672,133	215,779	311.5%	71.30%
2022	0.067618%	691,176	198,728	347.8%	70.80%
2021	0.046540%	248,084	199,893	124.1%	84.09%
2020	0.055458%	544,410	181,938	299.2%	70.94%
2019	0.061817%	561,402	187,266	299.8%	71.01%
2018	0.053079%	448,733	156,644	286.5%	71.89%
2017	0.050872%	444,134	151,502	293.2%	70.08%
2016	0.089202%	836,074	244,759	341.6%	66.04%
2015	0.876220%	597,104	210,559	283.6%	70.73%

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

See notes to required supplementary information.

TOWN OF WELSH, LOUISIANA

Schedule of Employer Pension Contributions
For the Year Ended May 31, 2025

Year Ended May 31,	Contractually Required Contribution	Contributions in Relation to Contractual Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
Municipal Employees Retirement System					
2025	$ 105,072	$ 105,072	$ -	$ 743,612	14.13%
2024	105,630	105,630	-	681,486	15.50%
2023	105,718	105,718	-	682,053	15.50%
2022	89,213	89,213	-	575,566	15.50%
2021	88,586	88,586	-	571,525	15.50%
2020	84,740	84,740	-	605,141	14.00%
2019	88,034	88,034	-	631,351	13.94%
2018	80,585	80,585	-	616,041	13.08%
2017	78,887	78,887	-	727,391	10.85%
2016	68,091	68,091	-	720,616	9.45%
Municipal Police Employees Retirement System					
2025	$ 96,811	$ 96,811	$ -	$ 273,016	35.46%
2024	64,371	64,371	-	191,025	33.70%
2023	70,445	70,445	-	226,328	31.13%
2022	47,920	47,920	-	141,986	33.75%
2021	48,050	48,050	-	142,811	33.65%
2020	62,013	62,013	-	190,937	32.48%
2019	58,691	58,691	-	182,545	32.15%
2018	47,558	47,558	-	154,344	30.81%
2017	52,481	52,481	-	167,090	31.41%
2016	70,345	70,345	-	237,535	29.61%

See notes to required supplementary information.

Notes to the Required Supplementary Information
For the Year Ended May 31, 2025

(1) Budget and Budgetary Accounting

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

a) The Mayor submits, no later than 15 days prior to the beginning of each fiscal year, to the Town Alderman a proposed operating budget.

b) A summary of the proposed budget is published, and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.

c) A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.

d) After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of a resolution prior to the commencement of the fiscal year for which the budget is being adopted.

e) Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Mayor.

f) All budgetary appropriations lapse at the end of each fiscal year.

g) Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as finally amended by the Town Alderman.

(2) Pension Plans

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

Notes to the Required Supplementary Information
For the Year Ended May 31, 2025 (Continued)

(3) Excess Expenditures Over Appropriations

For the year ended May 31, 2025, the General Fund and Sales Tax Fund had actual expenditures over appropriations as follows:

	Final Budget	Actual	Excess
General Fund:			
Culture and recreation	$ 97,698	$113,360	$ (15,662)
Capital outlay	180,123	259,933	(79,810)
1996 Sales Tax Special Revenue Fund:			
General government	12,004	12,897	(893)
Public works	536,156	545,018	(8,862)

SUPPLEMENTARY INFORMATION

TOWN OF WELSH, LOUISIANA
Statement of Net Position
May 31, 2025
With Comparative Totals as of May 31, 2024

	2025			
	Governmental Activities	Business-Type Activities	Total	2024 Totals
ASSETS				
Current assets:				
Cash and interest-bearing deposits	$ 2,200,310	$ 1,040,737	$ 3,241,047	$ 3,258,160
Investments	2,942,581	1,856,503	4,799,084	4,006,578
Receivables, net	24,016	456,260	480,276	451,271
Internal balances	(206,618)	206,618	-	-
Due from other governmental units	96,256	256,181	352,437	394,575
Inventories	-	348,929	348,929	346,801
Total current assets	5,056,545	4,165,228	9,221,773	8,457,385
Noncurrent assets:				
Restricted assets -				
Cash and interest-bearing deposits	-	190,003	190,003	169,173
Investments	-	45,842	45,842	46,833
Capital assets -				
Land and construction in progress	607,900	200,704	808,604	1,521,092
Capital assets, net	4,647,774	7,995,001	12,642,775	11,115,804
Total noncurrent assets	5,255,674	8,431,550	13,687,224	12,852,902
Total assets	10,312,219	12,596,778	22,908,997	21,310,287
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	206,222	92,081	298,303	485,284
LIABILITIES				
Current liabilities:				
Accounts, salaries, and other payables	264,383	295,037	559,420	568,586
Customer deposits	-	82,479	82,479	77,279
Unearned revenue	-	-	-	595,458
Notes payable	-	221,202	221,202	85,382
Bonds and certificates payable	-	39,000	39,000	38,000
Accrued interest	-	1,745	1,745	1,869
Total current liabilities	264,383	639,463	903,846	1,366,574
Noncurrent liabilities:				
Compensated absences	79,580	37,655	117,235	119,007
Notes payable	-	-	-	221,202
Bonds and certificates payable	-	498,000	498,000	537,000
Net pension liability	625,178	331,830	957,008	1,305,302
Total noncurrent liabilities	704,758	867,485	1,572,243	2,182,511
Total liabilities	969,141	1,506,948	2,476,089	3,549,085
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	95,909	33,333	129,242	64,238
NET POSITION				
Net investment in capital assets	5,244,218	7,437,503	12,681,721	11,753,443
Restricted:				
Sales tax dedications	271,351	-	271,351	397,139
Drug law enforcement	4,432	-	4,432	4,429
Debt service	-	151,621	151,621	138,727
Unrestricted	3,933,390	3,559,454	7,492,844	5,888,510
Total net position	$ 9,453,391	$ 11,148,578	$ 20,601,969	$ 18,182,248

TOWN OF WELSH, LOUISIANA

Statement of Net Position
Proprietary Fund
Utility Fund
May 30, 2025 and 2024

	2025	2024
ASSETS		
Current assets:		
Cash and interest-bearing deposits	$ 1,040,737	$ 1,229,306
Investments	1,856,503	1,243,637
Accounts receivable, net	456,260	368,955
Due from other governmental agencies	256,181	299,347
Due from other funds	206,706	221,073
Inventory	348,929	346,801
Total current assets	4,165,316	3,709,119
Noncurrent assets:		
Restricted assets -		
Cash and interest-bearing deposits	190,003	169,173
Investments	45,842	46,833
Capital assets -		
Land and construction in progress	200,704	243,456
Capital assets, net	7,995,001	7,902,866
Total noncurrent assets	8,431,550	8,362,328
Total assets	12,596,866	12,071,447
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	92,081	155,860
LIABILITIES		
Current liabilities:		
Accounts payable	271,813	359,507
Accrued liabilities	23,224	21,461
Due to other funds	88	88
Notes payable	221,202	84,129
Payable from restricted assets -		
Customer deposits	82,479	77,279
Revenue bonds payable	39,000	38,000
Interest payable	1,745	1,869
Total current liabilities	639,551	582,333
Noncurrent liabilities:		
Compensated absences	37,655	34,801
Notes payable	-	221,202
Revenue bonds payable	498,000	537,000
Net pension liability	331,830	462,213
Total noncurrent liabilities	867,485	1,255,216
Total liabilities	1,507,036	1,837,549
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	33,333	9,643
NET POSITION		
Net investment in capital assets	7,437,503	7,264,122
Restricted for debt service	151,621	138,727
Unrestricted (deficit)	3,559,454	2,977,266
Total net position	$ 11,148,578	$ 10,380,115

TOWN OF WELSH, LOUISIANA
Enterprise Fund
Utility Fund

Comparative Statements of Revenues, Expenses, and Changes in Fund Net Position
For the Years Ended May 31, 2025 and 2024

	Totals		Electric	
	2025	2024	2025	2024
Operating revenues:				
Charges for services	$ 4,931,019	$ 4,790,744	$ 3,554,996	$ 3,432,137
Miscellaneous	63,923	58,399	63,923	58,399
Total operating revenues	4,994,942	4,849,143	3,618,919	3,490,536
Operating expenses:				
Salaries	583,294	573,999	279,653	276,136
Payroll taxes	42,621	41,086	20,247	20,207
Retirement	76,988	78,103	36,407	37,097
Group insurance	102,691	97,790	45,004	43,683
Contract services	-	12,943	-	12,943
Insurance	134,341	123,975	51,055	55,700
Utilities and telephone	115,340	80,584	4,114	4,069
Repairs and maintenance	131,290	382,493	65,627	196,981
Supplies	317,801	210,591	185,873	109,327
Legal and professional fees	250,035	150,352	210,794	83,252
Travel and conferences	10,214	1,830	7,123	760
Uniforms	13,510	14,039	6,150	7,290
Office supplies	15,834	14,909	12,845	12,403
Power purchased	2,100,304	1,988,690	2,100,304	1,988,690
Depreciation	471,834	423,067	119,597	82,600
Chemicals	56,737	51,172	107	-
Bad debt expense	7,554	18,183	4,912	11,305
GASB 68 adjustments	(23,592)	(18,118)	(11,324)	(4,892)
Miscellaneous	30,198	28,963	2,689	5,766
Total operating expenses	4,436,994	4,274,651	3,141,177	2,943,317
Operating income (loss)	557,948	574,492	477,742	547,219
Non-operating revenues (expenses):				
Investment income	69,243	57,910		
Landfill and other dump fees	771,023	308,172		
Interest expense	(29,407)	(33,115)		
Non-employer pension contribution	19,322	18,360		
Grant revenue	50,291	118,013		
Total non-operating revenues (expenses)	880,472	469,340		
Income (loss) before contributions and transfers	1,438,420	1,043,832		
Capital contributions	75,000	-		
Transfers:				
Transfers in	-	343,337		
Transfers out	(744,957)	(458,916)		
Total transfers	(744,957)	(115,579)		
Change in net position	768,463	928,253		
Net position, beginning	10,380,115	9,451,862		
Net position, ending	$11,148,578	$10,380,115		

Water		Sewer		Sanitation	
2025	2024	2025	2024	2025	2024
$ 512,864	$ 518,792	$ 432,574	$ 407,878	$ 430,585	$ 431,937
-	-	-	-	-	-
512,864	518,792	432,574	407,878	430,585	431,937
167,353	153,994	89,549	94,260	46,739	49,609
12,094	10,463	6,795	7,072	3,485	3,344
22,498	20,729	11,776	13,628	6,307	6,649
30,121	24,840	17,229	19,645	10,337	9,622
-	-	-	-	-	-
46,911	40,692	25,270	19,418	11,105	8,165
27,515	30,846	83,711	45,669	-	-
19,537	89,638	23,130	84,840	22,996	11,034
72,058	59,432	40,215	5,294	19,655	36,538
11,945	39,771	25,525	27,258	1,771	71
3,091	1,070	-	-	-	-
2,978	1,681	2,581	3,239	1,801	1,829
2,989	2,506	-	-	-	-
-	-	-	-	-	-
135,411	130,246	137,869	137,569	78,957	72,652
51,786	47,951	4,844	3,221	-	-
979	2,851	832	1,875	831	2,152
(6,842)	(3,080)	(3,539)	(8,515)	(1,887)	(1,631)
-	-	-	-	27,509	23,197
600,424	653,630	465,787	454,473	229,606	223,231
(87,560)	(134,838)	(33,213)	(46,595)	200,979	208,706

TOWN OF WELSH, LOUISIANA
Justice System Funding Schedule - Collecting/Disbursing Entity
Year Ended May 31, 2025

	First Six Month Period Ended 11/30/2024	Second Six Month Period Ended 5/31/2025
Beginning Balance of Amounts Collected	$ 8,354	$ 6,680
Add: Collections -		
Civil Fees	-	-
Bond Fees	-	-
Asset Forfeiture/Sale	-	-
Pre-Trial Diversion Program Fees	216,876	188,083
Criminal Court Costs/Fees	177,511	247,743
Criminal Fines - Contempt	23,491	23,458
Criminal Fines - Other	429,699	358,911
Restitution	-	-
Probation/Parole/Supervision Fees	-	-
Service/Collection Fees	-	-
Interest Earnings on Collected Balances	-	-
Other	-	-
Subtotal Collections	847,577	818,195
Less: Disbursements to Governments and Nonprofits -		
Indigent Defender Fund - Criminal Fines	24,780	20,980
Louisiana Commission on Law Enforcement - Criminal Fines	5,570	4,571
Louisiana State Treasurer CMIS - Criminal Fines	8,526	6,996
LA Dept of Health & Hospitals THI/SCI - Criminal Fines	8,645	7,020
Louisiana Supreme Court - Criminal Fines	1,421	1,166
Less: Amounts Retained by Collecting Agency		
Amounts "Self-Disbursed" to Collecing Agency - Criminal Fines Other	800,309	777,698
Subtotal Disbursements/Retainage	849,251	818,431
Ending Balance of Amounts Collected but not Disbursed/Retained	$ 6,680	$ 6,444

OTHER INFORMATION

TOWN OF WELSH, LOUISIANA
General Fund

Budgetary Comparison Schedule - Revenues
For the Year Ended May 31, 2025
With Comparative Actual Amounts for the Year Ended May 31, 2024

	2025				
	Budget			Variance with Final Budget Positive	2024
	Original	Final	Actual	(Negative)	Actual
Revenues:					
Taxes -					
Ad valorem	$ 122,000	$ 127,045	$ 127,045	$ -	$ 122,496
Payments in lieu of taxes	4,500	7,651	7,651	-	-
Sales	600,000	567,496	569,941	2,445	623,188
Franchise	47,000	28,421	28,622	201	37,433
Total taxes	773,500	730,613	733,259	2,646	783,117
Licenses and permits -					
Occupational licenses	144,300	128,141	122,561	(5,580)	153,516
Insurance licenses	21,000	31,589	21,803	(9,786)	21,390
Liquor licenses	-	6,000	5,750	(250)	5,227
Building permits	-	36,003	36,855	852	24,771
Total licenses and permits	165,300	201,733	186,969	(14,764)	204,904
Intergovernmental -					
Federal - ARPA	-	693,357	595,458	(97,899)	599,028
State:					
Grants	-	100,000	91,054	(8,946)	730,185
Supplemental pay	108,000	108,000	100,340	(7,660)	81,280
State revenue sharing	9,000	4,564	10,463	5,899	10,649
Video Poker	12,000.000	14,375	16,485	2,110	12,302
Beer tax	5,000	4,047	4,094	47	4,202
Total intergovernmental	134,000	924,343	817,894	(106,449)	1,437,646
Charges for services -					
Recreation and Tourism	39,500	66,079	57,874	(8,205)	44,846
Total charges for services	39,500	66,079	57,874	(8,205)	44,846
Fines and forfeits	650,150	1,167,644	1,151,496	(16,148)	1,203,681
Jeff Davis Sanitary Landfill	320,000	408,187	389,285	(18,902)	294,527
Miscellaneous -					
Interest	76,500	131,383	129,112	(2,271)	133,777
Other	55,000	142,737	126,979	(15,758)	107,343
Total miscellaneous	131,500	274,120	256,091	(18,029)	241,120
Total revenues	$ 2,213,950	$ 3,772,719	$ 3,592,868	$ (179,851)	$4,209,841

TOWN OF WELSH, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures
For the Year Ended May 31, 2025
With Comparative Actual Amounts for the Year Ended May 31, 2024

	2025				
	Budget			Variance with Final Budget	
	Original	Final	Actual	Positive (Negative)	2024 Actual
Current:					
General government -					
Salaries	$ 139,940	$ 163,181	$ 156,445	$ 6,736	$ 143,724
Payroll taxes	10,755	12,049	11,632	417	10,770
Retirement	15,465	15,765	14,654	1,111	15,350
Group insurance	15,650	18,176	17,661	515	14,947
Contract services	42,760	16,691	22,595	(5,904)	33,097
Insurance	51,115	70,141	65,704	4,437	60,603
Utilities and telephone	30,205	27,387	26,221	1,166	25,578
Repairs and maintenance	15,600	8,179	10,828	(2,649)	12,518
Supplies	7,300	9,165	8,218	947	4,484
Legal and professional fees	121,000	129,327	121,745	7,582	121,434
Travel and conferences	3,050	3,183	3,537	(354)	3,874
Uniforms	2,680	1,937	2,794	(857)	2,615
Rent	9,875	4,825	5,345	(520)	5,937
Advertising	3,850	2,768	3,310	(542)	4,406
Office supplies	8,980	7,319	6,969	350	6,960
Building permits	-	24,211	23,790	421	17,644
Miscellaneous	20,350	14,227	20,450	(6,223)	19,295
Total general government	498,575	528,531	521,898	6,633	503,236
Public safety -					
Police:					
Salaries	889,700	979,407	975,976	3,431	853,437
Payroll taxes	68,140	77,344	73,377	3,967	64,451
Retirement	70,665	97,749	96,811	938	64,372
Group insurance	145,600	134,959	130,939	4,020	105,964
Insurance	104,060	105,265	106,417	(1,152)	111,386
Utilities and telephone	31,500	39,923	46,551	(6,628)	34,433
Repairs and maintenance	53,000	79,168	76,074	3,094	44,372
Supplies	81,000	146,872	142,576	4,296	123,938
Legal and professional fees	1,600	45,191	42,323	2,868	61,522
Travel and conferences	4,250	3,641	6,244	(2,603)	9,356
Uniforms	2,100	12,927	13,620	(693)	8,033
Rent	3,000	3,232	5,276	(2,044)	3,761
Advertising	300	-	-	-	-
Office supplies	2,100	9,351	8,993	358	5,281
Prisoner	12,700	32,872	33,358	(486)	19,616
K-9 expenses	1,500	8,965	14,364	(5,399)	3,220
Miscellaneous	600	685	826	(141)	1,036
Total police	1,471,815	1,777,551	1,773,725	3,826	1,514,178

TOWN OF WELSH, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures (Continued)
For the Year Ended May 31, 2025
With Comparative Actual Amounts for the Year Ended May 31, 2024

	2025				
	Budget			Positive	2024
	Original	Final	Actual	(Negative)	Actual
Fire:					
Salaries	16,800	16,800	16,800	-	16,800
Payroll taxes	1,300	1,285	1,285	-	1,285
Insurance	46,440	46,309	33,878	12,431	42,546
Utilities and telephone	4,000	4,856	4,647	209	3,967
Repairs and maintenance	20,750	23,420	26,414	(2,994)	25,797
Supplies	4,130	7,973	10,113	(2,140)	7,967
Legal and professional fees	28,000	18,291	21,301	(3,010)	20,048
Travel and conferences	2,800	669	-	669	-
Uniforms	5,000	-	-	-	1,083
Miscellaneous	200	400	299	101	199
Total fire	129,420	120,003	114,737	5,266	119,692
Total public safety	1,601,235	1,897,554	1,888,462	9,092	1,633,870
Culture and recreation -					
Salaries	18,000	19,385	31,908	(12,523)	18,281
Payroll taxes	1,380	1,483	1,377	106	1,377
Contract services	34,000	10,891	-	10,891	21,552
Insurance	11,645	5,175	4,256	919	10,869
Utilities and telephone	9,400	7,328	7,346	(18)	8,309
Repairs and maintenance	11,800	18,524	18,817	(293)	29,521
Supplies	10,000	12,353	20,958	(8,605)	17,534
Legal and professional fees	1,000	3,400	2,976	424	2,767
Uniforms	15,000	10,260	16,271	(6,011)	19,056
Office supplies	100	88	66	22	34
Miscellaneous	6,100	8,811	9,385	(574)	8,490
Total culture and recreation	118,425	97,698	113,360	(15,662)	137,790
Capital outlay	214,700	180,123	259,933	(79,810)	1,000,782
Total expenditures	$2,432,935	$2,703,906	$2,783,653	$ (79,747)	$ 3,275,678

COMPLIANCE,

INTERNAL CONTROL,

AND

OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Brad E. Kolder, CPA, JD*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Stephen J. Anderson, CPA*
Matthew E. Margaglio, CPA*
Casey L. Ardoin, CPA, CFE*
Wanda F. Arcement, CPA
Bryan K. Joubert, CPA
Nicholas Fowlkes, CPA
Deidre L. Stock, CPA

Of Counsel
C. Burton Kolder, CPA*

Victor R. Slaven, CPA* - retired 2020
Christine C. Doucet, CPA - retired 2022
Gerald A. Thibodeaux, Jr., CPA* - retired 2024

* A Professional Accounting Corporation

183 S. Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141

1428 Metro Dr.
Alexandria, LA 71301
Phone (318) 442-4421

450 E. Main St.
New Iberia, LA 70560
Phone (337) 367-9204

200 S. Main St.
Abbeville, LA 70510
Phone (337) 893-7944

1201 David Dr.
Morgan City, LA 70380
Phone (985) 384-2020

434 E. Main St.
Ville Platte, LA 70586
Phone (337) 363-2792

11929 Bricksome Ave.
Baton Rouge, LA 70816
Phone (225) 293-8300

WWW.KCSRCPAS.COM

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Welsh, Louisiana (the Town), as of and for the year ended May 31, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated September 22, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2025-001 and 2025-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

Town of Welsh, Louisiana's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and not described in the accompanying schedule of current and prior year audit findings and management's corrective action plan. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
September 22, 2025

TOWN OF WELSH

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended May 31, 2025

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

A. Internal Control Over Financial Reporting

2025-001 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: Unknown

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

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

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

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

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

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

2025-002 Inadequate Controls Over Financial Statement Preparation

Fiscal year finding initially occurred: 2022

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

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

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

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

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

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

B. Compliance

There were no compliance findings reported for the year ended May 31, 2025.

Prior Year Findings

A. Internal Control Over Financial Reporting

2024-001 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: Unknown

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

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

CURRENT STATUS: Unresolved. See finding 2025-001.

2024-002 Inadequate Controls Over Financial Statement Preparation

Fiscal year finding initially occurred: 2022

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

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

CURRENT STATUS: Unresolved. See finding 2025-002.

B. Compliance

There were no compliance findings reported for the year ended May 31, 2024.

TOWN OF WELSH

Welsh, Louisiana

Agreed-Upon Procedures Report

Year Ended May 31, 2025

KOLDER, SLAVEN & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Brad E. Kolder, CPA, JD*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Stephen J. Anderson, CPA*
Matthew E. Margaglio, CPA*
Casey L. Ardoin, CPA, CFE*
Wanda F. Arcement, CPA
Bryan K. Joubert, CPA
Nicholas Fowlkes, CPA
Deidre L. Stock, CPA

Of Counsel
C. Burton Kolder, CPA*

Victor R. Slaven, CPA* - retired 2020
Christine C. Doucet, CPA - retired 2022
Gerald A. Thibodeaux, Jr., CPA* - retired 2024

* A Professional Accounting Corporation

183 S. Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141

1428 Metro Dr.
Alexandria, LA 71301
Phone (318) 442-4421

450 E. Main St.
New Iberia, LA 70560
Phone (337) 367-9204

200 S. Main St.
Abbeville, LA 70510
Phone (337) 893-7944

1201 David Dr.
Morgan City, LA 70380
Phone (985) 384-2020

434 E. Main St.
Ville Platte, LA 70586
Phone (337) 363-2792

11929 Bricksome Ave.
Baton Rouge, LA 70816
Phone (225) 293-8300

WWW.KCSRCPAS.COM

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

The Honorable Karl Arceneaux, Mayor,
and Members of the Board of Aldermen
Town of Welsh, Louisiana

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period June 1, 2024 through May 31, 2025. The Town of Welsh's (The Town) management is responsible for those C/C areas identified in the SAUPs.

The Town has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period June 1, 2024 through May 31, 2025. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the Town's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the Town's operations:

   a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

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

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

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

e) ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

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

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

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

i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

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

k) ***Information Technology Disaster Recovery/Business Continuity,*** including (1) identification of critical data and frequency of data backups, (2) storage of backups in separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

l) ***Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Board or Finance Committee

This procedure was not subject to testing in Year 2, as no exceptions were identified during the Year 1 testing and the Year 1 audit was submitted timely.

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

   a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

   b) Review the minutes from all regularly scheduled board/finance committee meetings held during the fiscal year and observe whether the minutes from at least one meeting each month referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, at a minimum, on all special revenue funds.

   c) Obtain the prior year audit report and observe the unassigned fund balance in the General Fund. If the General Fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period reference or include a formal plan to eliminate the negative unassigned fund balance in the General Fund.

   d) Observe whether the board/finance committee received written updates of the progress of resolving audit findings, according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Bank Reconciliations

This procedure was not subject to testing in Year 2, as no exceptions were identified during the Year 1 testing and the Year 1 audit was submitted timely.

3. Obtain a listing of the Town's bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the Town's main operating account. Select the Town'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);
   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 within 1 month of the date the reconciliation was prepared (e.g., initialed and dated, electronically logged); and
   c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Collections (excluding electronic fund transfers)

This procedure was not subject to testing in Year 2, as no exceptions were identified during the Year 1 testing and the Year 1 audit was submitted timely.

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.
   b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
   c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
   d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or custodial fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

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.

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

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

   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 and the cash is stored securely in a locked safe or drawer).

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

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing was 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.

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

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

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

   e) Only employee/official authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

10. For each location selected under #8 above, obtain the Town'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 whether by paper or electronic means, the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

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

11. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3 above, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was:

    a) Approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy.

    b) Approved by the required number of authorized signers per the entity's policy.

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

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

13. 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 (or electronically approved), by someone other than the authorized card holder.

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

14. Using the monthly statements or combined statements selected under #13 above, excluding fuel cards, 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). For missing receipts, describe the nature of the transaction and note whether management had compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increase scrutiny.

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

15. 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, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

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

    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 #1g).

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

Contracts

This procedure was not subject to testing in Year 2, as no exceptions were identified during the Year 1 testing and the Year 1 audit was submitted timely.

16. 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:

    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.

    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).

    c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).

    d) 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 agree to the terms and conditions of the contract.

Payroll and Personnel

17. 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.

18. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #17 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).

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

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

    d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

19. 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 two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the Town's policy on termination payments. Agree the hours to the employee or officials' cumulate leave records, agree the pay rates to the employee/officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

20. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Ethics

This procedure was not subject to testing in Year 2, as no exceptions were identified during the Year 1 testing and the Year 1 audit was submitted timely.

21. Using the 5 randomly selected employees/officials from procedure #17 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 calendar year as required by R.S. 42:1170.

    b) Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

22. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Debt Service

This procedure was not subject to testing in Year 2, as no exceptions were identified during the Year 1 testing and the Year 1 audit was submitted timely.

23. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

24. 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 one 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 (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Fraud Notice

This procedure was not subject to testing in Year 2, as no exceptions were identified during the Year 1 testing and the Year 1 audit was submitted timely.

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

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

Information Technology Disaster Recovery/Business Continuity

This procedure was not subject to testing in Year 2, as no exceptions were identified during the Year 1 testing and the Year 1 audit was submitted timely.

27. We performed the following procedures, **verbally discussed the results with management, and reported "We performed the procedure and discussed the results with management."**

    a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

28. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #19 above and:

    a) Observe evidence that the selected terminated employees have been removed or disabled from the network.

29. Using the 5 randomly selected employees/officials from procedure #17 under "Payroll and Personnel" above, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates each employee/official with access to the Town's information technology assets completed cybersecurity training requirements of R.S. 42:1267:

    a) Completed the training if hired before June 9, 2020; and

    b) Completed the training within 30 days of initial service or employment if hired on or after June 9, 2020.

Prevention of Sexual Harassment

This procedure was not subject to testing in Year 2, as no exceptions were identified during the Year 1 testing and the Year 1 audit was submitted timely.

30. Using the 5 randomly selected employees/officials from procedure #17 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

31. Observe that the Town has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

32. Obtain the Town's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

    a) Number and percentage of public servants in the agency who have completed the training requirements;

    b) Number of sexual harassment complaints received by the agency;

    c) Number of complaints which resulted in a finding that sexual harassment occurred;

    d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

    e) Amount of time it took to resolve each complaint.

Exceptions:

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

Written Policies and Procedures

1. The Town does not have sufficient written policies and procedures related to payroll and information technology disaster recovery/business continuity.

Non-Payroll Disbursements

2. The Town does not have proper segregation of duties related to the disbursement process.

Credit Cards

3. Of the fifteen credit card transactions selected, two did not have written documentation of the business or public purpose.

Travel Expense Reimbursements

4. One of five travel expense reimbursements selected was not supported by an original itemized receipt.

Management's Response:

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

We were engaged by the Town to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
September 22, 2025