

**Town of Zwolle, Louisiana**  
**FINANCIAL REPORT**  
**YEAR ENDED MAY 31, 2018**



The CPA. Never Underestimate The Value<sup>SM</sup>

**Eugene W. Fremaux II**  
Certified Public Accountant

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## INDEPENDENT AUDITOR'S REPORT

The Honorable G. J. Martinez, Mayor  
and Board of Aldermen  
Town of Zwolle, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Zwolle, Louisiana as of and for the year ended May 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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



**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Zwolle, Louisiana, as of May 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, and pension schedules labeled “required Supplemental Information” in the table of contents (Part I and Part II) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Zwolle’s basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018, on our consideration of the Town of Zwolle, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Zwolle, Louisiana’s internal control over financial reporting



EUGENE W. FREMAUX II, CPA  
November 29, 2018

**TOWN OF ZWOLLE, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MAY 31, 2018**

This section of the Town's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended May 31, 2018. Please read it in conjunction with the Town's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- Program and general revenues amounted to \$1,654,468, a decrease of \$95,270.
- Expenses for the year amounted to \$1,781,490, an increase of \$56,665.
- The Town's utility fund had an operating loss of \$85,158 for the year, a decrease of \$94,761.

**OVERVIEW OF FINANCIAL STATEMENTS**

This annual report consists of three parts:

- Management's discussion and analysis
- Basic financial statements
- Supplementary information

The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town's operations in more detail than the government-wide statements. The Town has a general fund and a proprietary (utility) fund.

**FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE**

Condensed Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>May 31, 2018</u>	<u>May 31, 2017</u>	<u>May 31, 2018</u>	<u>May 31, 2017</u>
Current and other assets	\$ 617,502	\$ 826,909	\$ 1,611,138	\$ 1,628,760
Internal balances	1,567,044	1,356,122	(1,567,044)	(1,356,122)
Capital assets, net	<u>2,016,704</u>	<u>2,085,422</u>	<u>4,294,514</u>	<u>4,014,192</u>
Total assets	<u>4,201,250</u>	<u>4,268,453</u>	<u>4,338,608</u>	<u>4,286,830</u>
Deferred outflow of pension resources	<u>64,247</u>	<u>88,034</u>	<u>18,047</u>	<u>18,656</u>
Current and other liabilities	35,041	43,167	143,996	40,249
Long-term debt and net pension liability	<u>188,960</u>	<u>234,641</u>	<u>180,434</u>	<u>146,773</u>
Total liabilities	<u>224,001</u>	<u>277,808</u>	<u>324,430</u>	<u>187,022</u>
Deferred inflow of pension resources	<u>15,917</u>	<u>11,236</u>	<u>235</u>	<u>1,316</u>
Net Position:				
Invested in capital assets, net of debt	2,016,704	2,080,123	4,207,828	3,947,488
Restricted				-
Unrestricted	<u>2,008,875</u>	<u>1,987,320</u>	<u>(175,838)</u>	<u>169,660</u>
Total net position	<u>\$ 4,025,579</u>	<u>\$ 4,067,443</u>	<u>\$ 4,031,990</u>	<u>\$ 4,117,148</u>

**TOWN OF ZWOLLE, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MAY 31, 2018**

Condensed Statement of Activities

	Governmental Activities		Business-type Activities	
	Year Ended		Year Ended	
	May 31, 2018	May 31, 2017	May 31, 2018	May 31, 2017
Expenses:				
General government	\$ 285,456	\$ 228,382		
Public Safety	448,266	439,396		
Highways and streets	328,563	329,875		
Public works	69,383	69,453		
Recreation	55,528	40,738		
Interest on long-term debt	15	2,519		
Depreciation-unallocated	-	-		
Total governmental activities	<u>1,187,211</u>	<u>1,110,363</u>		
Business-type activities-water & sewer			<u>\$ 594,279</u>	<u>\$ 614,426</u>
Program revenues:				
Charges for services	82,897	81,798	414,057	416,653
Grants and contributions	-	38,167	90,452	15,000
Total program revenues	<u>82,897</u>	<u>119,965</u>	<u>504,509</u>	<u>431,653</u>
General revenues:				
Taxes	820,369	925,220		
Licenses and permits	94,327	100,843		
Fines	82,897	63,728		
Miscellaneous	64,857	105,385	4,612	2,944
Transfers	-	-	-	-
Total general revenues	<u>1,062,450</u>	<u>1,195,176</u>	<u>4,612</u>	<u>2,944</u>
Change in net position	<u>\$ (41,864)</u>	<u>\$ 204,778</u>	<u>\$ (85,158)</u>	<u>\$ (179,829)</u>

Overall government revenues decreased by \$95,270 to \$1,654,468 this year, primarily due to decreased sales tax revenue.

**TOWN OF ZWOLLE, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MAY 31, 2018**

**FINANCIAL ANALYSIS OF THE FUNDS**

The Town's governmental funds, comprised of the general fund, increased the fund balance \$4,342 during the year. Revenues decreased by \$59,196, primarily due to decreased sales tax revenue, and expenses increased \$76,936, primarily due to decreased street repair and overlay activity.

The Town's utility fund's net position decreased \$85,158 during the year, as compared to a decrease of \$179,829 in the prior year, primarily due to an increase in grant revenues for ongoing capital projects and a decrease in operating expenses of \$22,075 due mainly to decreased maintenance costs.

**CAPITAL ASSETS**

During 2018, the Town invested \$558,744 in capital assets. The majority of the amount was invested in expenditures related to the sewer plant renovations.

**DEBT**

Debt of \$52,117 was incurred during 2018 relating to the sewer plant renovation.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Town is dependent on (1) charges for services, and (2) ad valorem taxes, sales taxes, and franchise fees for approximately 80% of the total general fund revenues (excluding grants). No significant changes are expected in charges for services; however, sales tax revenues are expected to continue to be volatile due to the uncertain economic issues facing the economy of Sabine Parish due to drilling activity in the Haynesville Shale formation and the continued layoffs in the oil industry due to low oil prices.

Operating expenses of the Town's utility fund are expected to increase slightly in 2018; and revenues and expenses in the Town's general fund are expected to remain relative constant.

During 2019, the Town expects to complete construction on the project to renovate the sewer treatment plant with financing primarily from Louisiana Department of Environmental Quality.

**TOWN OF ZWOLLE, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MAY 31, 2018**

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. G. J. Martinez, Mayor, P. O. Box 1038, Zwolle, LA 71486.

## EXHIBIT A

**TOWN OF ZWOLLE  
ZWOLLE, LOUISIANA  
STATEMENT OF NET POSITION  
MAY 31, 2018**

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Current assets:			
Cash	\$ 241,639	\$ 1,318,418	\$ 1,560,057
Investments	238,905	119,443	358,348
Due from other governments	98,880	-	98,880
Receivables	13,122	38,436	51,558
Due from other funds	1,567,044	(1,567,044)	-
Prepaid expenses	24,956	125	25,081
Total current assets	<u>2,184,546</u>	<u>(90,622)</u>	<u>2,093,924</u>
Non-current assets:			
Restricted cash	-	134,716	134,716
Capital assets, net of accumulated depreciation	<u>2,016,704</u>	<u>4,294,514</u>	<u>6,311,218</u>
Total non-current assets	<u>2,016,704</u>	<u>4,429,230</u>	<u>6,445,934</u>
Total assets	<u>4,201,250</u>	<u>4,338,608</u>	<u>8,539,858</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of pension resources	<u>64,247</u>	<u>18,047</u>	<u>82,294</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable and other liabilities	\$ 35,041	\$ 117,312	\$ 152,353
Current portion of long-term debt	<u>-</u>	<u>26,684</u>	<u>26,684</u>
Total current liabilities	<u>35,041</u>	<u>143,996</u>	<u>179,037</u>
Noncurrent liabilities			
Customer deposits	-	45,480	45,480
Notes payable	-	67,448	67,448
Net pension liability	<u>188,960</u>	<u>67,506</u>	<u>256,466</u>
Total noncurrent liabilities	<u>188,960</u>	<u>180,434</u>	<u>369,394</u>
Total liabilities	<u>224,001</u>	<u>324,430</u>	<u>548,431</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred inflows of pension resources	<u>15,917</u>	<u>235</u>	<u>16,152</u>
<b><u>NET POSITION</u></b>			
Invested in capital assets, net of related debt	2,016,704	4,207,828	6,224,532
Restricted for debt service			-
Unrestricted	<u>2,008,875</u>	<u>(175,838)</u>	<u>1,833,037</u>
TOTAL NET POSITION	<u>\$ 4,025,579</u>	<u>\$ 4,031,990</u>	<u>\$ 8,057,569</u>

**TOWN OF ZWOLLE  
ZWOLLE, LOUISIANA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MAY 31, 2018**

	<u>Expenses</u>	<u>Program revenues</u>		<u>Net (Expense) Revenue and changes in Net assets</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental Activities</u>	
<b><u>FUNCTIONS/PROGRAMS</u></b>						
Governmental activities:						
General government	\$ 285,456			\$ (285,456)	\$ -	\$ (285,456)
Public safety	448,266			(448,266)		(448,266)
Highways and streets	328,563			(328,563)		(328,563)
Public works	69,383	\$ 82,897		13,514		13,514
Recreation	55,528		1,000	(54,528)		(54,528)
Interest on long-term debt	15			(15)		(15)
Depreciation - Unallocated	-	-	-	-	-	-
Total governmental activities	<u>1,187,211</u>	<u>82,897</u>	<u>1,000</u>	<u>(1,103,314)</u>	<u>-</u>	<u>(1,103,314)</u>
Business-type activities-Water and Sewer	<u>594,279</u>	<u>414,057</u>	<u>-</u>	<u>-</u>	<u>(89,770)</u>	<u>(89,770)</u>
Total primary government	<u>1,781,490</u>	<u>496,954</u>	<u>1,000</u>	<u>(1,103,314)</u>	<u>(89,770)</u>	<u>(1,193,084)</u>
General revenues:						
Taxes:						
Ad valorem				71,747		71,747
Sales taxes				672,263		672,263
Franchise				76,359		76,359
Licenses and permits				94,327		94,327
Fines				82,897		82,897
Miscellaneous				63,857	4,612	68,469
Transfers				-	-	-
Total general revenues				<u>1,061,450</u>	<u>4,612</u>	<u>1,066,062</u>
Change in net position				(41,864)	(85,158)	(127,022)
Net position, beginning of year				<u>4,067,443</u>	<u>4,117,148</u>	<u>8,184,591</u>
Net position, end of year				<u>\$ 4,025,579</u>	<u>\$ 4,031,990</u>	<u>\$8,057,569</u>

**TOWN OF ZWOLLE  
ZWOLLE, LOUISIANA  
GOVERNMENTAL FUNDS BALANCE SHEET  
MAY 31, 2018**

## ASSETS

Cash	\$ 241,639
Investments	238,905
Due from other governments	98,880
Receivables	13,122
Due from other funds	1,567,044
Prepaid expenses	<u>24,956</u>
Total assets	<u>\$ 2,184,546</u>

## LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable and other liabilities	\$ 35,041
Note payable	<u>-</u>
Total liabilities	35,041
Fund balance - unassigned	<u>2,149,505</u>
Total liabilities and fund balance	<u>\$ 2,184,546</u>

## TOWN OF ZWOLLE

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

**MAY 31, 2018**

Total fund balances - Governmental Funds		\$ 2,449,505
Cost of capital assets at May 31, 2018	\$ 3,285,375	
Less accumulated depreciation at May 31, 2018	<u>(1,268,671)</u>	2,016,704
Deferred outflows of pension resources		64,247
Net pension liability not reported in fund liabilities		(188,960)
Deferred inflows of pension resources		(15,917)
Long-term note payable not reported in fund liabilities		<u>-</u>
 Total net position at May 31, 2018 - Governmental Activities		 <u>\$ 4,325,579</u>

**TOWN OF ZWOLLE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**YEAR ENDED MAY 31, 2018**

Revenues:	
Taxes	\$ 820,370
Licenses and permits	94,327
Intergovernmental	56,345
Charges for services	82,897
Fines and forfeits	56,409
Miscellaneous	<u>35,000</u>
 Total revenues	 <u>1,145,348</u>
Expenditures:	
Current:	
General government	260,869
Public safety	469,654
Debt service	5,314
Highways and streets	252,415
Health and sanitation	69,383
Recreation	<u>83,371</u>
 Total expenditures	 <u>1,141,006</u>
Excess of revenues over expenditures before proceeds from financing	 <u>4,342</u>
Proceeds from financing	-
Transfer to Utility Fund	-
	-
Excess of revenues over expenditures	4,342
Fund balances, beginning of year	<u>2,145,163</u>
Fund balances, end of year	<u>\$ 2,149,505</u>

**TOWN OF ZWOLLE**  
**RECONCILIATION OF THE GOVERNMENTAL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**TO THE STATEMENT OF ACTIVITIES**  
**GENERAL FUND**  
**YEAR ENDED MAY 31, 2018**

Excess of revenues over expenditures		\$ 4,342
Capital assets:		
Capital outlay capitalized	\$ 89,039	
Depreciation expense for year ended May 31, 2017	<u>(157,757)</u>	(68,718)
Reduction of pension expense in government activities as fund financial statements report contributions as expense		17,214
Principal payments on notes payable recorded as expense in fund statement		5,298
Proceeds from long term financing		<u>-</u>
Change in net assets - Government Activities		<u>\$ (41,864)</u>

**TOWN OF ZWOLLE, LOUISIANA  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
MAY 31, 2018**

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,318,418
Investments, at cost	119,443
Accounts receivable	38,436
Due from other governments	-
Prepaid expenses	125
Total current assets	<u>1,476,422</u>
Non-current assets:	
Restricted cash and cash equivalents	134,716
Capital assets, net	<u>4,294,514</u>
Total non-current assets	<u>4,429,230</u>
Total assets	<u>5,905,652</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of pension resources	<u>18,047</u>
LIABILITIES	
Current liabilities:	
Accounts payable	117,312
Current portion of long-term debt	26,684
Due to General Fund	<u>1,567,044</u>
Total current liabilities	<u>1,711,040</u>
Noncurrent liabilities:	
Customer deposits	45,480
Notes payable	67,448
Net pension liability	<u>67,506</u>
Total noncurrent liabilities	<u>180,434</u>
Total liabilities	<u>1,891,474</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of pension resources	<u>235</u>
NET POSITION	
Invested in capital assets, net of related debt	4,207,828
Unrestricted	<u>(175,838)</u>
Total net position	<u>\$ 4,031,990</u>

**TOWN OF ZWOLLE, LOUISIANA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**MAY 31, 2018**

Operating revenues:	
Water charges	\$ 212,435
Sewer charges	172,014
Tap, connect and reconnect fees	<u>29,608</u>
Total operating revenues	<u>414,057</u>
Operating expenses:	
Water Department:	
Personnel	95,376
Supplies	38,761
Repairs and maintenance	47,717
Utilities	20,068
Insurance	6,266
Depreciation	64,094
Other expenses	<u>63,126</u>
Total water department expenses	<u>335,408</u>
Sewer Department:	
Personnel	31,739
Supplies	8,277
Repairs and maintenance	46,237
Utilities	36,306
Insurance	2,089
Depreciation	123,361
Other expenses	<u>8,934</u>
Total sewer department expenses	<u>256,943</u>
Total operating expenses	<u>592,351</u>
Operating income (loss)	<u>(178,294)</u>
Nonoperating revenues (expenses):	
Interest income	4,612
Grants	90,452
Loss on asset dispositions	<u>(1,928)</u>
	<u>93,136</u>
Income before transfers	(85,158)
Transfer from General Fund	<u>-</u>
Change in net position	(85,158)
Net position, beginning of year	<u>4,117,148</u>
Net position, end of year	<u>\$ 4,031,990</u>

**TOWN OF ZWOLLE, LOUISIANA**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE**  
**YEAR ENDED MAY 31, 2018**

Cash flows from operating activities:	
Cash received from customers	\$ 414,807
Cash payments to suppliers	(289,766)
Cash payments to employees	<u>(103,338)</u>
Net cash provided by operating activities	<u>21,703</u>
Cash flows from noncapital activities:	
Increase in due to general fund	<u>210,922</u>
Net cash provided (used) by noncapital activities	<u>210,922</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(24,689)
Capital grants received	90,452
Advance on loan from DEQ	52,117
Payments for capital acquisitions	<u>(370,676)</u>
Net cash provided (used) by capital and related financing activities	<u>(252,796)</u>
Cash flows from investing activities:	
Receipt of interest	<u>4,612</u>
Net cash provided by investing activities	<u>4,612</u>
Net increase (decrease) in cash and cash equivalents	(15,559)
Cash, cash equivalents and investments, beginning of year	<u>1,588,136</u>
Cash, cash equivalents and investments, end of year	<u>\$ 1,572,577</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ <u>(178,294)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	187,455
Provision for doubtful accounts receivable	1,783
Loss on disposition of assets	1,928
Deferred outflows of pension resources	(609)
Deferred inflows of pension resources	(1,081)
(Increase) decrease in accounts receivable	280
Increase (decrease) in accounts payable and accrued wages payable	2,008
Increase in net pension liability	7,763
Increase in customers' deposits	<u>470</u>
Total adjustments to operating income (loss)	<u>199,997</u>
Cash flows from operating activities	<u>\$ 21,703</u>

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The Town of Zwolle (Town) was incorporated September 13, 1889, under the provisions of a home rule charter. The Town operates under a Mayor-Board of Aldermen form of government.

The accounting and reporting policies of the Town conform to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Governmental Audit Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

This financial report has been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The following is a summary of the Commission's significant policies:

The more significant of the government's accounting policies are described below.

**Financial Reporting Entity**

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the financial statements of the Town consists of only the funds and account groups since the Town has no oversight responsibility for any other governmental entity.

**Government-wide and fund financial statements**

The government-wide financial statements (GWFS) (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes,

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intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities demonstrates the degree to which the direct expenses, of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Depreciation expense is identified by function and is included in the direct expense of each function. Interest on general long-term debt of governmental activities is considered an indirect expense and is reported separately on the statement of activities. Interest on long-term debt of business-type activities is recorded as direct expenses. Program revenues include 1) fees, fines, and charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements (FFS) are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the FFS. The Town had no non-major funds.

**Measurement Focus, Basis of Accounting, and Financial Statement Representation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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. The Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Ad valorem taxes are recognized as revenues in the year in which final approval is received from the Louisiana Tax Commission, at which time a valid claim exists, to the extent considered available. Expenditures generally are recorded when a liability is incurred, as under accrual

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accounting. However, debt service expenditures, as well as expenditures related to compensation absences are recorded only when payment is due.

Ad valorem taxes are considered “measurable” at the time of levy. Substantially all other non-intergovernmental revenues are susceptible to accrual and are recognized when earned or the underlying transaction occurs. Those revenues susceptible to accrual are ad valorem taxes, franchise taxes, sales taxes, interest revenue, licenses, intergovernmental revenues, and charges for services. Fines, permits, penalties and interest, and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. Anticipated refunds of taxes are recorded as liabilities and deductions of revenue when they are measurable, and their validity seems certain. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met. In reimbursement type programs, monies must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In other programs in which monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements, the resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met and all other eligibility requirements are met.

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net position, revenues expenditures/expenses and other changes in fund balance/net position. The various funds are summarized by type in the financial statements. The following funds are used by the Town:

**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.

**Proprietary Fund –**

**Enterprise Fund**

The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of

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revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use unrestricted resources first, the restricted resources as they are needed.

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 financial statements. Capital assets are capitalized at historical cost or estimated historical cost based upon like items. The Town, a phase 3 government, in accordance with GASB 34, has not retroactively reported infrastructure assets. As of June 1, 2004, the Town implemented a policy of capitalizing all infrastructure assets with a cost of \$10,000 or more. All other assets are capitalized based on thresholds of \$2,500 to \$25,000, depending on asset classification, except land and construction in progress which are capitalized at cost.

Capital assets are not reported in the governmental fund financial statements.

The cost of normal maintenance and repairs that do not substantially extend the assets lives or add value are not capitalized.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water and sewer system	10 – 50 years
Water wells and pumps	20 years
Water filter systems	10 – 25 years

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Water meters and hydrants	25 years
Trucks	5 years
Equipment	5 – 25 years

**Long-term obligations**

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Budgets and Budgetary Accounting**

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

1. The Town Treasurer prepares a proposed budget and submits same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published, and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. 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 an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding estimated amounts require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or

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as amended from time to time by the Board of Aldermen.

8. A budget is adopted for the Proprietary Fund on an accrual basis.

Cash and cash equivalents

Consistent with GASB Statement 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, the Town defines cash and cash equivalents as follows:

Cash - includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

Cash equivalents – includes short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments with original maturities of three months or less qualify under this definition.

Bad debts

Uncollectible amounts due for ad valorem taxes and customers' utility 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. At May 31, 2018, the reserve for uncollectible amounts amounted to \$27,559.

Compensated absences

Employees of the Town are entitled to paid vacation depending on job classification, length of service, and other factors. Employees' vacation earned does not accumulate or vest. Therefore, no liability for compensated absences has been recorded in the accompanying financial statements. The Town's policy is to recognize the costs of compensated absences when actually paid to employees.

Investments

State law and the municipality's investment policy allow the Town to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool and mutual funds consisting solely of government backed securities. Investments for the Town are reported at fair value. The state investment pool (LAMP) operates in accordance with state laws and regulations.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond May 31, 2018, are recorded as prepaid items.

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Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

(2) Ad Valorem Taxes

Ad Valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year and penalties are assessed. All ad valorem tax revenues are recognized as revenue when it becomes measurable and available. Available means due, or past due and receivable within the current period and collected no longer than 60 days after the close of the current period.

The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Sabine Parish.

For the year ended May 31, 2018, taxes of 7.67 mills were levied on property with assessed valuations totaling \$8,896,590. Total taxes levied were \$68,237 for general corporate purposes.

The Town is subject to a number of tax abatement agreements entered into by other governments that reduce the ad valorem tax revenues of the Town. These abatements are based on undepreciated values of various contracts as reported by Louisiana Economic Development. Property subject to abatement is located in the Town and the total undepreciated property subject to the contracts in effect during the year totaled \$13,840,637. The estimated amount of ad valorem taxes abated through indirect agreements is \$15,924.

(3) Due from Other Governmental Units

Amounts due from other governmental units at May 31, 2018, consisted of sales tax of \$54,937 and other of \$43,943.

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(4) Interfund Receivables and Payables

Individual interfund receivables and payable balances at May 31, 2018, were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 1,567,044	\$ -
Proprietary Fund	<u>-</u>	<u>1,567,044</u>
Total	<u>\$ 1,567,044</u>	<u>\$ 1,567,044</u>

(5) Restricted Assets - Proprietary Fund Type

Restricted assets of \$134,716 at May 31, 2018 were applicable to:

Customer meter deposits	\$ 45,480
DEQ loan reserve funds	<u>89,236</u>
Total	<u>\$134,716</u>

(6) Changes in Fixed Assets

A summary of changes in general fixed assets for 2018 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Land	\$ 151,991	\$ -	\$ -	\$ 151,991
Buildings	950,693			950,693
Equipment	148,760	68,951	9,465	208,246
Vehicles	168,802	-	73,112	95,690
Streets	<u>1,858,667</u>	<u>20,088</u>	<u>-</u>	<u>1,878,755</u>
Total	<u>\$ 3,278,913</u>	<u>\$ 89,039</u>	<u>\$ 82,577</u>	<u>\$ 3,285,375</u>

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A summary of changes in accumulated depreciation for 2018 follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	Ending <u>Balance</u>
Buildings	\$ 399,102	\$ 25,771		\$ 424,873
Equipment	108,053	14,184	9,465	112,772
Vehicles	121,783	23,923	73,186	72,520
Streets	<u>564,553</u>	<u>93,955</u>	<u>-</u>	<u>658,508</u>
Total	<u>\$ 1,193,491</u>	<u>\$ 157,833</u>	<u>\$ 82,651</u>	<u>\$ 1,268,673</u>

A summary of changes in proprietary fund type property, plant and equipment for 2018 follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	Ending <u>Balance</u>
Building	\$ 5,940	\$ -	\$ -	\$ 5,940
Land	7,160	-	-	7,160
Water System	2,567,696	56,885	26,912	2,597,669
Sewer System	4,328,811	42,450	5,302	4,365,959
Trucks	12,750			12,750
Equipment	42,266		5,453	36,813
Construction in Progress	<u>111,348</u>	<u>455,220</u>	<u>84,850</u>	<u>481,718</u>
Total	<u>\$ 7,075,971</u>	<u>\$ 554,555</u>	<u>\$ 122,517</u>	<u>\$ 7,508,009</u>

A summary of changes in accumulated depreciation for 2018 follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	Ending <u>Balance</u>
Building	\$ 4,818	\$ 198	\$ -	\$ 5,016
Water System	1,079,891	62,007	26,911	1,114,987
Sewer System	1,929,340	123,361	5,302	2,047,399
Trucks	7,982	1,300		9,282
Equipment	39,748	589	3,525	36,812
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,061,779</u>	<u>\$ 187,455</u>	<u>\$ 35,738</u>	<u>\$ 3,213,496</u>

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(7) Lease Obligations

The Town is obligated under a certain lease accounted for as an operating lease. This lease is for the use of land comprising 2.98 acres for the operation and drilling of water wells. The term of the lease is forty years with an annual rental of \$1,500 payable monthly at \$125 per month. Operating leases do not give rise to property rights or lease obligations, and therefore the result of the lease agreement is not reflected in the Town's account groups. The following is a schedule by years of future minimum rental payments under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of May 31, 2018:

Year ending May 31,	Amount
2019	\$ 1,500
2020	1,500
2021	1,500
2022	1,500
2023	1,500
Later years	<u>7,125</u>
Total minimum payments required	<u>\$ 14,625</u>

(8) Cash and Investments

Louisiana revised Statutes authorize the Town to invest in United States bonds, treasury notes or certificates, or to deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

As described in Note 1, cash equivalents include all short term highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments which, at the date of purchase, have a maturity date no longer than three months qualify under this definition.

At May 31, 2018, the Town has cash and investments as follows:

	Unrestricted	Restricted	Total
Cash	\$ 1,560,057	\$ 134,716	\$ 1,694,773
Investments	<u>358,348</u>	<u>-</u>	<u>358,348</u>
Total	<u>\$ 1,918,405</u>	<u>\$ 134,716</u>	<u>\$ 2,053,121</u>

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Of the total of \$2,052,621 deposited in demand and time deposits as of May 31, 2018, \$417,584 was secured through federal depository insurance, \$1,305,641 was secured by the pledge of securities owned by the depository bank, and \$329,396 was on deposit with the Louisiana Asset Management Pool (LAMP). These securities are held in the name of the pledging bank in a custodial bank that is mutually acceptable to both parties. These secured bank deposits are considered uncollateralized under the provisions of GASB Statement 3; however, Louisiana Revised Statutes require the custodial bank to advertise and sell the pledged securities within ten (10) days of being notified by the Town that the pledging bank has failed to pay deposited funds upon demand.

LAMP is a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33:2955. LAMP is rated AAAM by Standard & Poor's. 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.

(9) Long-term Debt

On November 1, 1999 the Town entered into a Utility Relocation Assistance Funding Agreement with the Louisiana Department of Transportation & Development (DOTD) whereby DOTD agreed to loan the Town up to \$136,361 in connection with utility relocation costs on Highway 171. The Town has recorded a noninterest bearing note payable to DOTD in the amount of \$74,460 in connection with this project. Although there is no formal repayment schedule for this loan, in June 2010 the town began repaying this loan at the rate of \$7,446 annually. The balance at May 31, 2018 is \$7,446.

On October 13, 2005 the town entered into a Utility Relocation Assistance Funding Agreement with the DOTD whereby DOTD agreed to loan the town up to \$292,912 in connection with additional utility relocation costs on Highway 171. The town has recorded a noninterest bearing note payable to DOT in the amount of \$172,424 in connection with this project. Although there is no formal repayment schedule for this loan, in July 2011 the town began repaying this loan at the rate of \$17,200 annually. The balance at May 31, 2018 is \$34,569.

On September 23, 2014, the Town entered into a \$59,200 loan with Ford Motor Credit Corporation at 5.65% interest to purchase two police cars, repayable over thirty-six (36) months at \$1,783 per month. The remaining balance of the loan, \$5,299 at May 31, 2017 was paid off in June of 2017.

In July 2017 the Town entered into a financing agreement with Louisiana's Department of Environmental Quality's Clean Water State Revolving Fund (CWSRF) to provide financing in the amount of \$1,059,400 for 20 years at 0.45%, with \$582,670 of principal to be forgiven as financing advances are made. The proceeds of this financing are to be used to renovate the sewer treatment facility in order to achieve compliance with DEQ regulations. In November 2017, the Town entered into a construction contract, amounting

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to \$709,775 to begin work on the project. This loan requires the Town to maintain certain restricted cash reserve funds, among other requirements, and the Town has funded these at the maximum required over the life of the loan. As of May 31, 2018, these funds amounted to \$89,236 and are shown as restricted assets.

As of May 31, 2018 the Town has a note payable to CWSRF in the amount of \$52,117, of which \$2,000 was determined to be the current amount due in 2018 since the drawdown of the loan was delayed form the original estimate. When the drawdown of the total loan is completed, the Town will be obligated to make annual payments from \$25,454 to \$27,226 for the 20 year term of the loan.

(10) Sales and Use Tax

On April 16, 1988, the voters of the Town approved a 1% sales and use tax upon the sale at retail, the use, the lease or rental, the consumption or storage for use or consumption of tangible personal property and on sales of services in the Town. The 1% sales and use tax is dedicated to the General Fund to be used for any lawful corporate purpose as deemed necessary by the Board of Aldermen. In addition, effective October 1, 2005 the voters of the Town approved an additional 1% sales and use tax.

(11) Contingencies

Grant Audits

The Town receives Federal and State grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the granting agencies for expenditures disallowed, if any, under the terms and conditions of the appropriate agency.

(12) Pending Litigation

The Town is a party to legal proceedings involving suits filed against the Town for various reasons; however, Town management does not believe the Town is exposed to any material losses in these proceedings. Accordingly, no provision for losses is included in the financial statements.

(13) Compensation paid to Mayor and Aldermen

In accordance with the requirements of the Office of the Legislative Auditor, State of Louisiana, the following reflects compensation paid the Mayor and members of the Town Council for the year ended May 31, 2018:

Mayor G. J. Martinez	\$	21,600
Council members:		
Allen Rivers		6,600
Martha Henderson		6,600
Carolyn C. Cutright		6,600
Darlene Frazier		6,600
Stephen Remedies		6,600

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(14) Subsequent Events

In June 2018 the Town entered into a 36 month lease with Ford Motor Credit for two police vehicles amounting to \$66,252 plus interest of \$4,213 payable \$23,489 annually.

Management has evaluated subsequent events through November 29, 2018, the date the financial statements were available to be issued and determined that no additional disclosures are warranted.

(15) Risk Management

The Town is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. No settlements were made during the current or prior three fiscal years that exceeded the Town's insurance coverage. The Town's management has not purchased commercial insurance or made provision to cover or reduce the risk of loss as a result of business interruption and certain acts of God.

(16) Supplemental Pay

Certain employees meeting statutory qualifications in the police department receive supplemental pay directly from the State of Louisiana. This supplemental pay in the amount of \$24,510 is recognized as intergovernmental revenue in the General Fund and as public safety expenditures.

(17) Defined Benefit Pension Plans

The Town contributes to two statewide cost-sharing, multiple-employer, defined benefit public employee retirement systems as discussed below:

**A. Municipal Police Employees' Retirement System of Louisiana (MPERS)**

**General Information about the Pension Plan**

**Plan Description**

Membership in the Municipal Police Employees' Retirement System of Louisiana (MPERS) is mandatory for any full-time police officer employed by the Town of Zwolle, Louisiana that is engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria. MPERS provides retirement benefits for municipal police officers. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233. MPERS issues a publicly available financial report that is available for download at [www.lampers.org](http://www.lampers.org).

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**Benefits Provided**

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

1. Retirement

A member who has joined the System before January 1, 2013 is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit. Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200 per month, whichever is greater.

The eligibility of a member who joins the System on or after January 1, 2013, for regular retirement, early retirement, disability, and survivor benefits is based on Hazardous Duty and Non-Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non-Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55. Under the Hazardous and Non-Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

2. Cost of Living Increases

The Board of Trustees of the System's Plan is authorized to provide annual cost-of-living adjustments (COLA) computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older

**TOWN OF ZWOLLE, LOUISIANA**  
**NOTES TO FINICAL STATEMENTS**  
**MAY 31, 2018**

on the cut-off date which determines eligibility. No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year. Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

### 3. DROP Benefits

A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty-six months or less. If employment is terminated after the three-year period, the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account. If the member elects a money market investment return, the funds are transferred to a government money market account.

In 1999, the State Legislature authorized the System to establish an Initial Benefit Option program. Initial Benefit Option is available to members who are eligible for regular retirement and have not participated in DROP. The Initial Benefit Option program provides both a one-time single sum payment of up to 36 months of regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest is computed on the balance based on same criteria as DROP.

### **Contributions**

Contribution for all members are actually determined as required by state law but cannot be less than 9% of the employee's earnable compensation excluding overtime but including state supplemental pay.

The employer's contribution rate for the year ended June 30, 2017 was 31.75% for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 and 31.75% for Non-Hazardous Duty members hired after January 1, 2013. The employer's contribution rate for any member whose earnable compensation is less than or equal to the poverty guidelines which is issued by the United States Department of Health and Human services, will be 34.25%.

**TOWN OF ZWOLLE, LOUISIANA**  
**NOTES TO FINICAL STATEMENTS**  
**MAY 31, 2018**

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

At May 31, 2018, the Town of Zwolle reported a liability of \$108,912 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Town of Zwolle's proportion of the Net Pension Liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, The Town's proportion was .012%, which was a decrease of 0.005% from its proportion measured as of June 30, 2016.

At May 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 713	\$ 0
Changes of assumptions	7,750	0
Net difference between projected and actual earnings on pension plan investments	4,768	0
Changes in proportion and differences between Employer contributions and proportionate share of contributions	12,458	32,056
Employer contributions subsequent to the Measurement date	<u>11,572</u>	<u>0</u>
Total	\$ <u>37,261</u>	\$ <u>32,056</u>

The \$11,572 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended May 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending May 31,</u>	
2019	\$ (2,488)
2020	3,320
2021	(5,485)
2022	(2,551)

**TOWN OF ZWOLLE, LOUISIANA**  
**NOTES TO FINICAL STATEMENTS**  
**MAY 31, 2018**

**Actuarial Methods and Assumptions**

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 are as follows:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost
Investment Rate of Return	7.325%, net of investment expense
Expected Remaining Service lives	4 years
Inflation Rate	2.7%

Years of Service	Salary Growth Rate
1-2	9.75%
3-23	4.75%
Over 23	4.25%

The discount rate used to measure the total pension liability was 7.325%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by Public Employee's Retirement Systems Actuarial Committee (PERSAC) taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position 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.

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014 and review of similar law enforcement mortality. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

**TOWN OF ZWOLLE, LOUISIANA**  
**NOTES TO FINICAL STATEMENTS**  
**MAY 31, 2018**

**Sensitivity to Changes in Discount Rate**

The following presents the Employer's proportionate share of the Net Pension Liability using the discount rate of 7.325%, as well as what the employers' proportionate share of the Net Position Liability would be if it were calculated using a discount rate that is one percentage point lower (6.325%) or one percentage point higher (8.325%) than the current rate.

	<b>1.0% Decrease (6.325%)</b>	<b>Current Discount (7.325%)</b>	<b>1.0% Increase (8.325%)</b>
Employer's proportionate share of the net pension liability	\$ 150,472	\$ 108,912	\$ 74,046

**Support of Non-employer Contributing Entities**

In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities but are not considered special funding situations. For the year ended June 30, 2016, the proportionate share of these monies received by the System on behalf of the Town of Zwolle, was \$2,382.

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Audit Report online at [www.lampers.org](http://www.lampers.org).

**B. Municipal Employees Retirement System of Louisiana (MERS)**

**Plan Description**

Employees of the Town of Zwolle are provided with pensions through a cost-sharing multiple-employer defined benefit plan administered by the Municipal Employees Retirement System of Louisiana (MERS). MERS was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. MERS is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. Certain employees of the Town are members of Plan B. All permanent employees working at least 35 hours per week, who are not covered by another pension plan, and who are paid wholly or in part from municipal funds are eligible to participate in the System. MERS issues a publicly available financial report that is available for download at [www.mersla.com](http://www.mersla.com).

**TOWN OF ZWOLLE, LOUISIANA**  
**NOTES TO FINICAL STATEMENTS**  
**MAY 31, 2018**

**Benefits Provided**

The following is a description of Plan B and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

**1. Retirement**

For Employees of Plan B who were hired before January 1, 2013 can retire providing the member meets one of the following criteria: 1) Any age with twenty-five (25) years of creditable service; 2) Age 60 with a minimum of ten (10) or more years of creditable service; 3) Any age with five (5) years of creditable service eligible for disability benefits; 4) Survivor's benefits require five (5) years creditable service at death of member.

Employees of Plan B who were hired after January 1, 2013 can retire provided the member meets one of the following criteria: 1) Age 67 with seven (7) or more years of creditable service; 2) Age 62 with ten (10) or more years of creditable service; 3) Age 55 with thirty (30) or more years of creditable service; 4) Any age with twenty five (25) years of creditable service, exclusive of military service and unused side leave. However, any member retiring under this subsection shall have their benefit actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any provision of this section, if the member had continued in service to that age.

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

**2. Survivor Benefits**

Upon death of any member of Plan B with five (5) or more years of creditable service, not eligible for normal retirement, the plan provides for benefits for the surviving spouse as outlined in the statutes. Any member of Plan B who is eligible for normal retirement at time of death and who leaves a surviving spouse will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

**3. DROP Benefits:**

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A or B who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease

**TOWN OF ZWOLLE, LOUISIANA**  
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**MAY 31, 2018**

employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of the System's Plan. If a participant dies during participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in the System.

**4. Disability Benefits**

For Plan B, a member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service; in which he would receive a regular retirement under retirement provisions. A member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service, is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of thirty percent of his final average compensation or two percent of his final average compensation multiplied by his years of creditable service, whichever is greater; or an amount equal to two percent of the member's final average compensation multiplied by his years of creditable service, projected to his earliest normal retirement age.

**5. Cost of Living Increases:**

The System is authorized under state law to grant a cost of living increase to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. State law allows the System to grant an additional cost of living increase to all retirees and beneficiaries who are age sixty-five and above equal to 2% of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after that date.

**6. Deferred Benefits:**

Both plans provide for deferred benefits for members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable. Benefits are based on statutes in effect at time of withdrawal.

**Employer Contributions**

Under Plan B, members are currently required to contribute five percent (5%) of their annual covered salary to the system. The Town contributes an actuarially determined rate, set at eleven percent (11%) of the member's covered salary for the year ended June 30, 2017. Contributions to the pension plan from the Town of Zwolle were \$16,678 for the year ended May 31, 2018.

**TOWN OF ZWOLLE, LOUISIANA**  
**NOTES TO FINICAL STATEMENTS**  
**MAY 31, 2018**

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

At May 31, 2017, the Town of Zwolle, Louisiana reported a liability of \$147,554 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Town of Zwolle's proportion of the Net Pension Liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, The Town's proportion was .170%, which was an increase of .022% from June 30, 2016.

At May 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 773	\$ 3,196
Changes of assumptions	6,497	0
Net difference between projected and actual earnings on pension plan investments	31,089	0
Changes in proportion and differences between Employer contributions and proportionate share of contributions	6,975	0
Employer contributions subsequent to the Measurement date	<u>16,678</u>	<u>0</u>
Total	\$ <u>62,012</u>	\$ <u>3,196</u>

The \$16,678 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended May 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending May 31.</u>	
2019	\$ 17,178
2020	14,922
2021	8,632
2022	1,407

**TOWN OF ZWOLLE, LOUISIANA**  
**NOTES TO FINICAL STATEMENTS**  
**MAY 31, 2018**

**Actuarial Methods and Assumptions**

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 are as follows:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.4%, net of investment expense
Projected Salary Increases	5.0% (2.775% Inflation, 2.225% Merit)
Mortality Rates	RP-2000 Employee Table for active members RP-2000 Healthy Annuitant Table for healthy annuitants RP-2000 Disabled Lives Mortality Tables for disabled annuitants
Expected Remaining Service Lives	4 year for Plan B
Cost of Living Adjustments	The present value of retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees of the System's Plan.

The mortality rate assumption used was verified by combining data from this plan with three other statewide plans which have similar workforce composition in order to produce a credible experience. The aggregated data was collected over the period July 1, 2009 through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables used.

**TOWN OF ZWOLLE, LOUISIANA**  
**NOTES TO FINICAL STATEMENTS**  
**MAY 31, 2018**

The discount rate used to measure the total pension liability was 7.4%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by Public Employee's Retirement Systems Actuarial Committee (PERSAC) taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position 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.

**Sensitivity to Changes in Discount Rate**

The following presents the Employer's proportionate share of the Net Pension Liability using the discount rate of 7.4%, as well as what the employers\* proportionate share of the Net Position Liability would be if it were calculated using a discount rate that is one percentage point lower (6.4%) or one percentage point higher (8.4%) than the current rate.

	<b>1.0% Decrease (6.4%)</b>	<b>Current Discount Rate (7.4%)</b>	<b>1.0% Increase (8.4%)</b>
Employer's proportionate share of the net pension liability	\$ 190,919	\$ 147,554	\$ 110,549

**Support of Non-employer Contributing Entities**

In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. For the year ended June 30, 2016, the proportionate share of these monies received by the System on behalf of the Town of Zwolle, was \$4,246.

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Audit Report online at [www.mersla.com](http://www.mersla.com).

**TOWN OF ZWOLLE, LOUISIANA**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**BUDGET AND ACTUAL ON A BUDGETARY BASIS**  
**GENERAL FUND**  
**YEAR ENDED MAY 31, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 822,000	\$ 822,000	\$ 820,370	\$ (1,630)
Licenses and permits	83,700	83,700	94,327	10,627
Intergovernmental	29,900	29,900	56,345	26,445
Charges for services	83,000	83,000	82,897	(103)
Fines and forfeits	59,000	59,000	56,409	(2,591)
Miscellaneous	<u>87,762</u>	<u>87,762</u>	<u>35,000</u>	<u>(52,762)</u>
Total revenues	<u>1,165,362</u>	<u>1,165,362</u>	<u>1,145,348</u>	<u>(20,014)</u>
Expenditures:				
Current:				
General government	256,295	256,295	260,869	(4,574)
Public safety	398,668	398,668	469,654	(70,986)
Debt service	30,500	30,500	5,314	25,186
Highways and streets	281,133	281,133	252,415	28,718
Health and sanitation	69,761	69,761	69,383	378
Recreation	<u>76,000</u>	<u>76,000</u>	<u>83,371</u>	<u>11,253</u>
Total expenditures	<u>1,112,357</u>	<u>1,112,357</u>	<u>1,141,006</u>	<u>(10,025)</u>
Excess of revenues over expenditures before transfer	53,005	53,005	4,342	(9,989)
Proceeds from financing	-	-	-	-
Transfer to Utility Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	53,005	53,005	4,342	(9,989)
Fund balances, beginning of year	<u>2,146,163</u>	<u>2,146,163</u>	<u>2,146,163</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,199,168</u>	<u>\$ 2,199,168</u>	<u>\$ 2,150,505</u>	<u>\$ (9,989)</u>

**TOWN OF ZWOLLE, LOUISIANA  
 SCHEDULE OF EMPLOYER’S SHARE OF NET PENSION LIABILITY  
 MUNICIPAL POLICE EMPLOYEES’ RETIREMENT SYSTEM (MPERS)  
 JUNE 30, 2017**

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>06/30/17</u>
Employer’s Proportion of the Net Pension Liability (Asset)	0.00014%	.017%	.012%
Employer’s Proportionate Share of the Net Pension Liability (Asset)	\$ 109,950	\$ 163,012	\$108,912
Employer’s Covered-Employee Payroll	\$ 35,617	\$ 39,860	\$ 37,520
Employer’s Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	309%	221%	290%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71%	66%	70%

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

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

See Independent Auditor’s Report

**TOWN OF ZWOLLE, LOUISIANA  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM (MPERS)  
JUNE 30, 2017**

	<b>Contractually Required <u>Contribution</u></b>	<b>Contributions in Relation to Contractually Required <u>Contribution</u></b>	<b>Contribution Deficiency <u>(Excess)</u></b>	<b>Employer's Covered Employee <u>Payroll</u></b>	<b>Contributions as a Percentage of Covered Employee <u>Payroll</u></b>
<b>2015</b>	<b>\$ 15,019</b>	<b>\$ 15,019</b>	<b>\$ -</b>	<b>\$ 45,860</b>	<b>32.75%</b>
<b>2016</b>	<b>\$ 12,092</b>	<b>\$ 12,092</b>	<b>\$ -</b>	<b>\$ 35,617</b>	<b>33.95%</b>
<b>2017</b>	<b>\$ 11,824</b>	<b>\$ 11,824</b>	<b>\$ -</b>	<b>\$ 37,241</b>	<b>31.75%</b>

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

See Independent Auditor's Report

**TOWN OF ZWOLLE, LOUISIANA  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM (MPERS)  
JUNE 30, 2017**

**Changes in Benefit Terms include:**

There were no changes of benefit assumptions for the year ended June 30, 2017.

**Changes of Assumptions**

The assumed inflation rate for the year ended June 30, 2017 decreased from 2.875% to 2.7%.

There were no changes of mortality rate assumption for the year ended June 30, 2017.

There were no changes of the salary growth rate for the year ended June 30, 2017.

The assumed investment rate decreased from 7.5% to 7.325% for the year ended June 30, 2017.

See Independent Auditor's Report

**TOWN OF ZWOLLE, LOUISIANA  
 SCHEDULE OF EMPLOYER’S SHARE OF NET PENSION LIABILITY  
 MUNICIPAL EMPLOYEES’ RETIREMENT SYSTEM (MERS)  
 JUNE 30, 2017**

	<u><b>6/30/2015</b></u>	<u><b>06/30/2016</b></u>	<u><b>06/30/17</b></u>
Employer’s Proportion of the Net Pension Liability (Asset)	0.158%	0.158%	0.170%
Employer’s Proportionate Share of the Net Pension Liability (Asset)	\$ 107,146	\$ 131,372	\$147,554
Employer’s Covered-Employee Payroll	\$ 108,512	\$ 116,442	\$126,582
Employer’s Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	99%	113%	117%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69%	63%	63%

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

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

See Independent Auditor’s Report

**TOWN OF ZWOLLE  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (MERS)  
JUNE 30, 2017**

	<b><u>Contractually Required Contribution</u></b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
<b>2015</b>	<b>\$ 11,014</b>	<b>\$ 11,014</b>	<b>\$ -</b>	<b>\$ 115,937</b>	<b>9.5%</b>
<b>2016</b>	<b>\$ 13,468</b>	<b>\$ 13,468</b>	<b>\$ -</b>	<b>\$ 123,704</b>	<b>10.9%</b>
<b>2017</b>	<b>\$ 16,678</b>	<b>\$ 16,678</b>	<b>\$ -</b>	<b>\$ 129,098</b>	<b>12.9%</b>

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

See Independent Auditor's Report

**TOWN OF ZWOLLE, LOUISIANA  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM (MPERS)  
JUNE 30, 2017**

**Changes in Benefit Terms include:**

There were no changes of benefit assumptions for the year ended June 30, 2017.

**Changes of Assumptions**

The assumed inflation rate for the year ended June 30, 2017 decreased from 2.875% to 2.7%.

There were no changes of mortality rate assumption for the year ended June 30, 2017.

There were no changes of the salary growth rate for the year ended June 30, 2017.

The assumed investment rate decreased from 7.5% to 7.325% for the year ended June 30, 2017.

See Independent Auditor's Report

**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 G. J. Martinez, Mayor  
and Board of Aldermen  
Town of Zwolle, 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, and each major fund, of Town of Zwolle, Louisiana, as of and for the year ended May 31, 2018, and the related notes to the financial statements, which collectively comprise Town of Zwolle, Louisiana's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 29, 2018.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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, therefore material weaknesses may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of Zwolle, Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and is described in the accompanying schedule of findings and questioned costs as item2018-01.

### **Purpose of this Report**

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



EUGENE W. FREMAUX II, CPA  
November 29, 2018

**TOWN OF ZWOLLE, LOUISIANA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**May 31, 2018**

**CURRENT YEAR**

**2018-01 Non-timely Filing of Financial Statements**

*Criteria:* Louisiana law requires that the Town to file its annual financial statements with the Louisiana Legislative Auditor with six months after the end of its fiscal year, which would be November 30, 2018. The Town's financial statements were not filed until December 3, 2018.

*Condition:* The Town's financial statements were not filed within the time frame required by state law.

*Cause:* The Town's auditor was unable to complete the audit timely due to a technical software issue that arose on November 30, 2018.

*Disposition:* Resolved.

**TOW OF ZWOLLE, LOUISIANA  
OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER  
PAYMENT TO AGENCY HEAD  
YEAR ENDED MAY 31, 2018**

Agency Head: Mayor G. J. Martinez

<u>Purpose</u>	<u>Amount</u>
Compensation	\$21,600
Travel	220
Lodging	378

**Eugene W. Fremaux II**

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**Independent Accountant's Report on Applying Agreed-Upon Procedures**

Board of Aldermen  
Town of Zwolle  
Zwolle, Louisiana

We have performed the procedures enumerated below, which were agreed to by Town of Zwolle (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period June 1, 2017 through May 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

**Written Policies and Procedures**

1. **Procedure:** Obtain the Entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the Entity does not have any written policies and procedures), as applicable:
  - 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**, including receiving, recording, and preparing deposits.
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- 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) **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, and (5) monitoring card usage.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

**Results:** The Entity does not have formal written policies and procedures for Receipts, Payroll/Personnel, Ethics or Debt Service. The written policies and procedures for purchasing do not address how vendors are added to the approved vendor list.

**Management's Response:** Although the Town does not have written policies and procedures with respect to Ethics, the Town complies with laws and regulations related to Ethics.

Although there are no written policies and procedures regarding how vendors are added, all significant expenditures are discussed and approved as necessary in Board meetings. In addition, all payments to vendors are reviewed and checks normally are signed by two individuals, with one being the Board President and the other being the Board Treasurer. Written procedures for payroll and debt service processing will be developed.

**Board (or Finance Committee, if applicable)**

2. **Procedure:** Obtain and review the board/committee minutes for the fiscal period, and:
- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
  - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the Entity's prior audit (GAAP-basis).
    - 1. If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
  - c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

**Results:**

- a) The Board meets monthly.
- b) The Town operates with a budget and monthly financial statements including actual to budget comparisons.
- c) Minutes did reference approval of contracts and disbursements over \$500, which is in accordance with the Town's policies.

**Bank Reconciliations**

3. **Procedure:** Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

**Result:** No exceptions noted.

4. **Procedure:** Using the listing provided by management, select all of the entity's bank accounts (if five (5) accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than five (5) accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP

engagement. For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;
- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than six (6) months as of the end of the fiscal period.

**Results:**

- a) No exceptions noted.
- b) There is no indication that a member of the Board has reviewed the bank reconciliation, however there was documentation that management has reviewed all bank statements.
- c) No exceptions noted.

**Management's Response:** The Town will insure that all bank reconciliations will be reviewed by a Board member, with the review documented by initials and date of review.

**Collections**

- 5. **Procedure:** Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

**Results:** No exceptions noted.

- 6. **Procedure:** Using the listing provided by management, select all of the Entity's cash collection locations (if five (5) locations or less) or one-third of the collection locations on a three-year rotating basis (if more than five (5) locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement. For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and

- (3) not required to share the same cash register or drawer with another employee.
- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the Entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
  - c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
    - 1. Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
    - 2. Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

**Results:**

- a) The Entity does not have written documentation supporting the policy or procedure stating that the employee responsible for collecting cash is not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account. All Town employees that handle cash are covered under the Town's insurance policy for loss and/or theft.
- b) The Entity does not have written documentation and procedures for reconciling cash collections to the general ledger; however, the person responsible for cash collections may also be responsible for reconciling to the general ledger.
- c)
  - 1. No exceptions noted.
  - 2. No exceptions noted.

**Management's Response:** Due to the limited staff size, the Entity's policy and procedures for collections does not preclude employees who collect cash from depositing, recording, and reconciling bank accounts. However, the Town's procedures do include review functions by another employee, and the Mayor and

Board to help mitigate the lack of segregation that would be ideal if the Town had larger staff.

7. **Procedure:** Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

**Results:** The Entity does not have formal written policies and procedures for determining the completeness of all collections by a person who is not responsible for those collections.

**Management's Response:** Although the Town does not have formal written policies and procedures for determining completeness of all collections for each revenue source by a person not responsible for collections, there are procedures in place for daily cash reports that are prepared and reviewed by the employees. The small staff size precludes ideal segregation of duties but where practical, review functions are implemented to mitigate risks.

**Disbursements - General (excluding credit card/debit card/fuel card/P-Card purchases or payments)**

8. **Procedure:** Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

**Results:** No exceptions noted.

9. **Procedure:** Using the disbursement population from #8 above, randomly select twenty-five (25) disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than twenty-five (25) transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice.

**Results:** The Town does a purchase order system, however receiving reports are not utilized. All transactions tested were paid from an invoice approved by the required three Board members and the Board if over \$500.

10. **Procedure:** Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

**Results:** The Town does not have formal written policies and procedures regarding who is responsible for adding vendors to the purchasing/disbursement system.

**Management's Response:** Although there are no written policies and procedures regarding how vendors are added, all significant expenditures are discussed and approved as necessary in Board meetings. In addition, all payments to vendors are reviewed and checks are normally signed by two individuals, with one being either the Board President and the other another Board Member.

11. **Procedure:** Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

**Results:** The Entity does not have formal written policies and procedures stating that persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating purchases.

**Management's Response:** Due to the small staff size, it is impractical to prohibit persons with signatory authority or who make final authorization for disbursements to have no responsibility for initiating purchases. However, all checks require two signatures and supporting documentation for expenditures is presented for review and approval at the time checks are presented for signing. We believe this secondary review and approval helps mitigate the risk of improper disbursements by persons who may have signatory authority and other authorization and initiation responsibilities.

12. **Procedure:** Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

**Results:** Check stock is maintained in a locked location.

13. **Procedure:** If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

**Results:** No exceptions noted.

#### **Credit Cards/Debit Cards/Fuel Cards/P-Cards**

14. **Procedure:** Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.

**Results:** No exceptions noted.

15. **Procedure:** Using the listing prepared by management, randomly select ten (10) cards (or at least one-third of the cards if the entity has less than ten (10) cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

**Results:**

- a) No exception noted.
- b) Finance charges of \$95.33 were assessed on the selected statement.

**16. Procedure:** Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the ten (10) cards selected (i.e. each of the ten (10) cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:
  - 1. An original itemized receipt (i.e., identifies precisely what was purchased).
  - 2. Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
  - 3. Other documentation that may be required by written policy (e.g., purchase order, written authorization).
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

**Results:** There were 16 charges on the selected statement, of which 5 were hotel charges without appropriate supporting documentation. These 5 charges were for Board members attending an LMA meeting and were only supported by the reservation requests, not the actual room receipts. In addition, one charge of \$1,100 had supporting documents however did not have Board approval in the Board minutes as required by the Town's policy.

**Management's Response:** Board members will be reminded of the need to turn in actual hotel bills in the future.

### **Travel and Expense Reimbursement**

17. **Procedure:** Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

**Results:** No exceptions noted.

18. **Procedure:** Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

**Results:** No exceptions noted.

19. **Procedure:** Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three (3) travel expenses selected:

a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

b) Report whether each expense is supported by:

1. An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
2. Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
3. Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

**Results:** No exceptions noted, except as noted under No. 16 above.

**Contracts**

- 20. Procedure:** Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

**Results:** No exceptions noted.

- 21. Procedure:** Using the listing above, select the five (5) contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
  - 1. If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).
  - 2. If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

**Results:** No exceptions noted.

### **Payroll and Personnel**

**22. Procedure:** Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five (5) employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

**Results:** There was no documentation in the employee's payroll file of their pay rate. The Board approves all pay rates, however the individual rates are not included in the minutes, nor are they attached to the minutes.

**Management's Response:** Written documentation of pay rates will be included as an attachment to the Board minutes in the future, and appropriate documentation will be included in the employee's payroll file.

**23. Procedure:** Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select twenty-five (25) employees/officials (or randomly select one-third of employees/officials if the entity had less than twenty-five (25) employees during the fiscal period), and:

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

according to policy and/or contract, the official should document his/her daily attendance and leave.)

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

**Results:** No exceptions noted.

24. **Procedure:** Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

**Results:** No exceptions noted.

25. **Procedure:** Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

**Results:** No exceptions noted.

### **Ethics**

26. **Procedure:** Using the five (5) randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity-maintained documentation to demonstrate that required ethics training was completed.

**Results:** No exceptions noted.

27. **Procedure:** Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether

management investigated allegations received, and whether the allegations were addressed in accordance with policy.

**Results:** No exceptions noted.

**Debt Service (excluding nonprofits)**

- 28. Procedure:** If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

**Results:** No exceptions noted. State Bond Commission approval was obtained as required.

- 29. Procedure:** If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

**Results:** No exceptions noted.

- 30. Procedure:** If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

**Results:** Not applicable.

**Other**

- 31. Procedure:** Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the Town attorney of the parish in which the entity is domiciled.

**Results:** No exceptions noted.

- 32. Procedure:** Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.la.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

**Results:** No exceptions noted.

33. **Procedure:** If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

**Results:** No exceptions noted.

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

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

A handwritten signature in black ink, appearing to read "Eugene W. Fremaux II". The signature is stylized and includes a long horizontal flourish at the end.

Eugene W. Fremaux II, CPA  
November 29, 2018