

Town of Zwolle, Louisiana
FINANCIAL REPORT
YEAR ENDED MAY 31, 2020



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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, 2020, 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, 2020, 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 September 30, 2021, 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
September 30, 2021

**TOWN OF ZWOLLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2020**

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, 2020. Please read it in conjunction with the Town's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Program and general revenues amounted to \$1,623,451, a decrease of \$557,444.
- Expenses for the year amounted to \$2,025,387, an increase of \$201,883.
- The Town's utility fund had an operating loss of \$284,665 for the year, an increase of \$137,874.

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>	
	May 31, 2020	May 31, 2019	May 31, 2020	May 31, 2019
Current and other assets	\$ 758,001	\$ 786,106	\$ 1,614,717	\$ 298,653
Internal balances	1,579,933	1,572,471	(1,579,933)	(1,572,471)
Capital assets, net	<u>1,826,373</u>	<u>1,952,604</u>	<u>4,649,146</u>	<u>4,748,826</u>
Total assets	<u>4,164,307</u>	<u>4,311,181</u>	<u>4,683,930</u>	<u>3,475,008</u>
Deferred outflow of pension resources	<u>46,893</u>	<u>54,122</u>	<u>36,256</u>	<u>19,868</u>
Current and other liabilities	62,152	62,875	44,345	48,527
Long-term debt and net pension liability	<u>193,535</u>	<u>218,480</u>	<u>577,018</u>	<u>523,308</u>
Total liabilities	<u>255,687</u>	<u>281,355</u>	<u>621,363</u>	<u>571,835</u>
Deferred inflow of pension resources	<u>36,631</u>	<u>12,029</u>	<u>4,681</u>	<u>-</u>
Net Position:				
Invested in capital assets, net of debt	1,826,373	1,952,604	4,213,762	4,301,253
Restricted			92,332	91,282
Unrestricted	<u>2,092,509</u>	<u>2,119,315</u>	<u>(211,952)</u>	<u>(49,494)</u>
Total net position	<u>\$ 3,918,882</u>	<u>\$ 4,071,919</u>	<u>\$ 4,094,142</u>	<u>\$ 4,343,041</u>

**TOWN OF ZWOLLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2020**

Condensed Statement of Activities

	Governmental Activities		Business-type Activities	
	Year Ended		Year Ended	
	May 31, 2020	May 31, 2019	May 31, 2020	May 31, 2019
Expenses:				
General government	\$ 278,830	\$ 291,171		
Public Safety	544,785	513,619		
Highways and streets	358,879	292,619		
Public works	75,208	71,382		
Recreation	57,051	54,796		
Interest on long-term debt	1,665	2,547		
Depreciation-unallocated	-	-		
Total governmental activities	<u>1,316,418</u>	<u>1,226,134</u>		
Business-type activities-water & sewer			<u>\$ 708,969</u>	<u>\$ 597,370</u>
Program revenues:				
Charges for services	81,819	80,858	415,316	432,103
Grants and contributions	<u>89,135</u>	<u>20,000</u>	<u>31,091</u>	<u>465,457</u>
Total program revenues	<u>170,954</u>	<u>100,858</u>	<u>446,407</u>	<u>897,560</u>
General revenues:				
Taxes	748,778	898,812		
Licenses and permits	79,106	106,537		
Fines	73,269	84,024		
Miscellaneous	91,274	82,243	13,663	10,861
Transfers	-	-	-	-
Total general revenues	<u>992,427</u>	<u>1,171,616</u>	<u>13,663</u>	<u>10,861</u>
Change in net position	<u>\$ (153,037)</u>	<u>\$ 46,340</u>	<u>\$ (248,899)</u>	<u>\$ 311,051</u>

Overall government revenues decreased by \$557,444 to \$1,623,451 this year, primarily due to decreased grant revenues.

**TOWN OF ZWOLLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2020**

FINANCIAL ANALYSIS OF THE FUNDS

The Town's governmental funds, comprised of the general fund, decreased the fund balance \$19,689 during the year. Revenues decreased by \$109,093, primarily due to decreased sales tax revenue, and expenses increased \$13,798, primarily due to increased street maintenance expenses.

The Town's utility fund's net position decreased \$248,899 during the year, as compared to an increase of \$311,051 in the prior year, primarily due to a decrease in grant revenues for ongoing capital projects and an increase in operating expenses of \$111,599 due mainly to increased maintenance and operational costs.

CAPITAL ASSETS

During 2020, the Town invested \$140,635 in capital assets. Most of the amount was invested in expenditures related to water and sewer improvements.

DEBT

Debt of \$25,438 was incurred during 2020 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, disruptions in the economy caused by COVID-19, 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 2021; and revenues and expenses in the Town's general fund are expected to remain relative constant.

**TOWN OF ZWOLLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2020**

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, 2020**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Current assets:			
Cash	\$ 373,713	\$ 1,314,237	\$ 1,687,950
Investments	239,621	119,920	359,541
Due from other governments	89,932	-	89,932
Receivables	9,261	39,166	48,427
Due from other funds	1,579,933	(1,579,933)	-
Prepaid expenses	45,474	125	45,599
Total current assets	<u>2,337,934</u>	<u>(106,485)</u>	<u>2,231,449</u>
Non-current assets:			
Restricted cash	-	141,269	141,269
Capital assets, net of accumulated depreciation	1,826,373	4,649,146	6,475,519
Total non-current assets	<u>1,826,373</u>	<u>4,790,415</u>	<u>6,616,788</u>
Total assets	<u>4,164,307</u>	<u>4,683,930</u>	<u>8,848,237</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of pension resources	<u>46,893</u>	<u>36,256</u>	<u>83,149</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and other liabilities	\$ 40,097	\$ 22,345	\$ 62,442
Current portion of long-term debt	22,055	22,000	44,055
Total current liabilities	<u>62,152</u>	<u>44,345</u>	<u>106,497</u>
Noncurrent liabilities			
Customer deposits	-	48,375	48,375
Notes payable	-	413,384	413,384
Net pension liability	193,535	115,259	308,794
Total noncurrent liabilities	<u>193,535</u>	<u>577,018</u>	<u>770,553</u>
Total liabilities	<u>255,687</u>	<u>621,363</u>	<u>877,050</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of pension resources	<u>36,631</u>	<u>4,681</u>	<u>41,312</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	1,826,373	4,213,762	6,040,135
Restricted for debt service	-	92,332	92,332
Unrestricted	2,092,509	(211,952)	1,880,557
TOTAL NET POSITION	<u>\$ 3,918,882</u>	<u>\$ 4,094,142</u>	<u>\$ 8,013,024</u>

**TOWN OF ZWOLLE
ZWOLLE, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2020**

	<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>	
<u>FUNCTIONS/PROGRAMS</u>						
Governmental activities:						
General government	\$ 278,830				\$ (278,830)	\$ (278,830)
Public safety	544,785				(544,785)	(544,785)
Highways and streets	358,879				(358,879)	(358,879)
Public works	75,208	\$ 81,819			6,611	6,611
Recreation	57,051		\$ 89,135		32,084	32,084
Interest on long-term debt	1,665				(1,665)	(1,665)
Depreciation - Unallocated	-	-	-	-	-	-
Total governmental activities	<u>1,316,418</u>	<u>81,819</u>	<u>89,135</u>	<u>-</u>	<u>(1,145,464)</u>	<u>(1,145,464)</u>
Business-type activities-Water and Sewer	<u>708,969</u>	<u>415,316</u>	<u>-</u>	<u>31,091</u>	<u>-</u>	<u>(262,562)</u>
Total primary government	<u>2,025,387</u>	<u>497,135</u>	<u>89,135</u>	<u>31,091</u>	<u>(1,145,464)</u>	<u>(262,562)</u>
General revenues:						
Taxes:						
Ad valorem					67,358	67,358
Sales taxes					609,408	609,408
Franchise					72,012	72,012
Licenses and permits					79,106	79,106
Fines					73,269	73,269
Miscellaneous					91,274	104,937
Transfers					-	-
Total general revenues					<u>992,427</u>	<u>1,006,090</u>
Change in net position					(153,037)	(248,899)
Net position, beginning of year					<u>4,071,919</u>	<u>4,343,041</u>
Net position, end of year					<u>\$ 3,918,882</u>	<u>\$ 4,094,142</u>
						<u>\$ 8,013,024</u>

**TOWN OF ZWOLLE
ZWOLLE, LOUISIANA
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2020**

ASSETS

Cash	\$ 373,713
Investments	239,621
Due from other governments	89,932
Receivables	9,261
Due from other funds	1,579,933
Prepaid expenses	<u>45,474</u>
Total assets	<u>\$ 2,337,934</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable and other liabilities	\$ 38,664
Note payable	<u>-</u>
Total liabilities	38,664
Fund balance - unassigned	<u>2,299,270</u>
Total liabilities and fund balance	<u>\$ 2,337,934</u>

TOWN OF ZWOLLE

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

MAY 31, 2020

Total fund balances - Governmental Funds		\$ 2,299,270
Cost of capital assets at May 31, 2020	\$ 3,424,454	
Less accumulated depreciation at May 31, 2020	<u>(1,598,081)</u>	1,826,373
Deferred outflows of pension resources		46,893
Net pension liability not reported in fund liabilities		(193,535)
Deferred inflows of pension resources		(36,631)
Accrued interest on note payable		(1,433)
Long-term note payable not reported in fund liabilities		<u>(22,055)</u>
 Total net position at May 31, 2020 - Governmental Activities		 <u><u>\$ 3,918,882</u></u>

TOWN OF ZWOLLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED MAY 31, 2020

Revenues:	
Taxes	\$ 748,778
Licenses and permits	79,106
Intergovernmental	87,330
Charges for services	81,819
Fines and forfeits	73,269
Miscellaneous	<u>93,079</u>
 Total revenues	 <u>1,163,381</u>
Expenditures:	
Current:	
General government	264,047
Public safety	505,226
Debt service	23,489
Highways and streets	286,278
Health and sanitation	75,208
Recreation	<u>28,822</u>
 Total expenditures	 <u>1,183,070</u>
Excess of revenues over expenditures before proceeds from financing	 <u>(19,689)</u>
Proceeds from financing	-
Transfer to Utility Fund	<u>-</u>
	<u>-</u>
Excess of revenues over expenditures	 (19,689)
Fund balances, beginning of year	<u>2,318,959</u>
Fund balances, end of year	<u>\$ 2,299,270</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, 2020**

Excess of revenues over expenditures		\$ (19,689)
Capital assets:		
Capital outlay capitalized	\$ 37,500	
Depreciation expense for year ended May 31, 2020	<u>(163,731)</u>	(126,231)
Interest expense on long-term note payable		1,115
Increase of pension expense in government activities as fund financial statements report contributions as expense		(28,941)
Principal payments on notes payable recorded as expense in fund statement		20,709
Proceeds from long term financing		<u>-</u>
Change in net assets - Government Activities		<u>\$ (153,037)</u>

**TOWN OF ZWOLLE, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUND
MAY 31, 2020**

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,314,237
Investments, at cost	119,920
Accounts receivable	39,166
Prepaid expenses	<u>125</u>
Total current assets	<u>1,473,448</u>
Non-current assets:	
Restricted cash and cash equivalents	141,269
Capital assets, net	<u>4,649,146</u>
Total non-current assets	<u>4,790,415</u>
Total assets	<u>6,263,863</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of pension resources	<u>36,256</u>
LIABILITIES	
Current liabilities:	
Accounts payable	22,345
Current portion of long-term debt	22,000
Due to General Fund	<u>1,579,933</u>
Total current liabilities	<u>1,624,278</u>
Noncurrent liabilities:	
Customer deposits	48,375
Notes payable	413,384
Net pension liability	<u>115,259</u>
Total noncurrent liabilities	<u>577,018</u>
Total liabilities	<u>2,201,296</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of pension resources	<u>4,681</u>
NET POSITION	
Invested in capital assets, net of related debt	4,213,762
Restricted for debt service	92,332
Unrestricted	<u>(211,952)</u>
Total net position	<u>\$ 4,094,142</u>

TOWN OF ZWOLLE, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
MAY 31, 2020

Operating revenues:	
Water charges	\$ 206,001
Sewer charges	168,206
Tap, connect and reconnect fees	<u>41,109</u>
Total operating revenues	<u>415,316</u>
Operating expenses:	
Water Department:	
Personnel	148,489
Supplies	33,402
Repairs and maintenance	40,698
Utilities	23,662
Insurance	13,157
Depreciation	68,652
Other expenses	<u>93,487</u>
Total water department expenses	<u>421,547</u>
Sewer Department:	
Personnel	41,281
Supplies	16,768
Repairs and maintenance	32,162
Utilities	39,498
Insurance	4,524
Depreciation	134,163
Other expenses	<u>10,038</u>
Total sewer department expenses	<u>278,434</u>
Total operating expenses	<u>699,981</u>
Operating income (loss)	<u>(284,665)</u>
Nonoperating revenues (expenses):	
Interest income	13,663
Interest expense	(8,988)
Grants	31,091
Loss on asset dispositions	<u>-</u>
	<u>35,766</u>
Income before transfers	(248,899)
Transfer from General Fund	<u>-</u>
Change in net position	(248,899)
Net position, beginning of year	<u>4,343,041</u>
Net position, end of year	<u>\$ 4,094,142</u>

TOWN OF ZWOLLE, LOUISIANA
STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE
YEAR ENDED MAY 31, 2020

Cash flows from operating activities:	
Cash received from customers	\$ 415,016
Cash payments to suppliers	(324,724)
Cash payments to employees	<u>(121,985)</u>
Net cash provided by operating activities	<u>(31,693)</u>
Cash flows from noncapital activities:	
Increase in due to general fund	<u>7,462</u>
Net cash provided (used) by noncapital activities	<u>7,462</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(37,627)
Capital grants received	31,091
Advance on loan from DEQ	25,438
Payments for capital acquisitions	<u>(103,135)</u>
Net cash provided (used) by capital and related financing activities	<u>(84,233)</u>
Cash flows from investing activities:	
Receipt of interest	13,663
Interest paid	<u>(8,988)</u>
Net cash provided by investing activities	<u>4,675</u>
Net increase (decrease) in cash and cash equivalents	(103,789)
Cash, cash equivalents and investments, beginning of year	<u>1,679,215</u>
Cash, cash equivalents and investments, end of year	<u>\$ 1,575,426</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	<u>\$ (284,665)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	202,815
Provision for doubtful accounts receivable	1,782
Deferred outflows of pension resources	(16,388)
Deferred inflows of pension resources	4,681
(Increase) decrease in accounts receivable	(1,635)
Increase (decrease) in accounts payable and accrued wages payable	12,149
Increase in net pension liability	48,233
Increase in customers' deposits	<u>1,335</u>
Total adjustments to operating income (loss)	<u>252,972</u>
Cash flows from operating activities	<u>\$ (31,693)</u>

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINICAL STATEMENTS
MAY 31, 2020

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 consist 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 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 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 based on 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.

Equity Classifications

The Town of Zwolle has implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

In the Government-Wide Financial Statements and the Proprietary Fund Financial Statements, the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is classified as net position and reported in three components:

Net investment in capital assets: This classification consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

Restricted net position: This classification consists of net position with constraints placed on its use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or law through constitutional provision or enabling legislation.

Unrestricted net position: Any other net position that does not meet the definition of "restricted" or "net investment in capital assets."

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When an expense is incurred for the purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. The policy concerning which to apply first varies with the intended use and legal requirements. This decision is typically made by management at the incurrence of the expense.

The Governmental Fund Financial Statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town did not have any nonspendable funds for the year ended May 31, 2020.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Town's restricted funds at May 31, 2020 are composed of reserve funds required for the DEQ bonds.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Aldermen. These amounts cannot be used for any other purpose unless the Board of Aldermen removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board typically establishes commitments through the adoption and amendment of the budget. The Town did not have any committed funds for the year ended May 31, 2020.

Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Aldermen or through the Board delegating this responsibility to a body or official (Mayor) for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The Town has no assigned funds for year ended May 31, 2020.

Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other

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governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts. All funds of the Town are designated as unassigned.

The Town would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

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 \$20,000 or more. All other assets are capitalized based on thresholds of \$5,000 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	5 – 50 years
Water wells and pumps	5 - 25 years
Water filter systems	5 - 7 years
Water meters and hydrants	10 years
Trucks	5 years
Equipment	5 – 10 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.

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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 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 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.

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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 receivable. On May 31, 2020, the reserve for uncollectible amounts amounted to \$30,336.

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, 2020, are recorded as prepaid items.

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 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.

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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, 2020, taxes of 6.33 mills were levied on property with assessed valuations totaling \$10,826,701. Total taxes levied were \$68,533 for general corporate purposes.

The Town is subject to several 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 \$ 13,142.

(3) Due from Other Governmental Units

Amounts due from other governmental units at May 31, 2020, consisted of sales tax of \$39,022 and other of \$50,910.

(4) Interfund Receivables and Payables

Individual interfund receivables and payable balances at May 31, 2020, were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 1,579,933	\$ -
Proprietary Fund	<u>-</u>	<u>1,579,933</u>
 Total	 <u>\$ 1,579,933</u>	 <u>\$ 1,579,933</u>

(5) Restricted Assets - Proprietary Fund Type

Restricted assets of \$141,269 at May 31, 2020 were applicable to:

Customer meter deposits	\$ 48,947
DEQ loan reserve funds	<u>92,332</u>
 Total	 <u>\$141,269</u>

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(6) Changes in Fixed Assets

A summary of changes in general fixed assets for 2020 follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u> <u>Balance</u>
Land	\$ 151,991	\$ -	\$ -	\$ 151,991
Buildings	950,693			950,693
Equipment	208,246			208,246
Vehicles	175,269			175,269
Streets	<u>1,900,755</u>	<u>37,500</u>	<u>-</u>	<u>1,938,255</u>
 Total	 <u>\$ 3,386,954</u>	 <u>\$ 37,500</u>	 <u>\$ -</u>	 <u>\$ 3,424,454</u>

A summary of changes in accumulated depreciation for 2020 follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u> <u>Balance</u>
Buildings	\$ 450,650	\$ 25,774		\$ 476,424
Equipment	126,382	13,231	-	139,613
Vehicles	103,536	28,350	-	131,886
Streets	<u>753,782</u>	<u>96,376</u>	<u>-</u>	<u>850,158</u>
 Total	 <u>\$1,434,350</u>	 <u>\$ 163,731</u>	 <u>\$ -</u>	 <u>\$1,598,081</u>

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A summary of changes in proprietary fund type property, plant and equipment for 2020 follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u> <u>Balance</u>
Building	\$ 10,340	\$ -	\$ -	\$ 10,340
Land	7,160	-	-	7,160
Water System	2,597,669	39,336	-	2,637,005
Sewer System	5,298,602	-	-	5,298,602
Trucks	20,250	15,460	-	35,710
Equipment	40,813	18,500	-	59,313
Construction in Progress	<u>70,903</u>	<u>29,839</u>	<u>-</u>	<u>100,742</u>
Total	<u>\$ 8,045,737</u>	<u>\$ 103,135</u>	<u>\$ -</u>	<u>\$ 8,148,872</u>

A summary of changes in accumulated depreciation for 2020 follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u> <u>Balance</u>
Building	\$ 5,336	\$ 491	\$ -	\$ 5,827
Water System	1,178,499	63,651	-	1,242,150
Sewer System	2,065,236	134,163	-	2,199,399
Trucks	10,933	3,058	-	13,991
Equipment	36,907	1,452	-	38,359
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,296,911</u>	<u>\$ 202,815</u>	<u>\$ -</u>	<u>\$ 3,499,726</u>

(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. 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, 2020:

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Year ending May 31,	Amount
2021	\$ 1,500
2022	1,500
2023	1,500
2024	1,500
2025	1,500
Later years	<u>4,125</u>
Total minimum payments required	<u>\$ 11,625</u>

(8) Cash and Investments

At May 31, 2020, the Town had cash and cash equivalents (book balances) totaling \$2,188,760, including \$600 cash on hand. These bank deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These bank deposits which are secured from risk by \$495,720 in federal deposit insurance, and \$1,349,542 of pledged securities held in a Federal Reserve pledge account. Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement No. 40, Louisiana Revised Statute 30:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand. Louisiana R.S. 39:1224 requires bonds, or other such instruments furnished as security, to be deposited with the depositing authority or with an unaffiliated bank or trust company, Federal Reserve Bank, or any Federal Home Loan Bank or its successor. This security is deemed to be under the control and in the possession of the public entity and deemed to be held in its name. The Town of Zwolle has complied with these requirements of state law.

At May 31, 2020, the Town had funds (book balances) totaling \$342,898 on deposit at LAMP, including restricted funds of \$141,269, which are stated at cost. The Town maintains accounts in the Louisiana Asset Management Pool (LAMP). LAMP was established and is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana. LAMP accepts deposits from public entities. Upon making an investment, a public entity becomes a member of LAMP, Inc., similar to a corporate shareholder, and maintains certain rights with respect to the governance of the corporation.

TOWN OF ZWOLLE, LOUISIANA
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Cash and investments are categorized to give an indication of the level of risk assumed by the Town at May 31, 2020. Deposits are considered to be exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the the pledging financial institution's trust department or agent but not in the depositor-government's name. The Town of Zwolle has cash and cash equivalents that are covered by \$495,720 of federal depository insurance. The remaining balance is exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging financial institution. The Town has no policy on custodial credit risk.

The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality vehicles for investment. The LAMP portfolio includes only securities and obligations in which local governments in Louisiana are authorized to invest. LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, U.S. government, or one of its agencies. The dollar weighted average portfolio 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 balances.

At May 31, 2020, the Town has cash and investments as follows:

	Unrestricted	Restricted	Total
Cash	\$ 1,687,950	\$ 141,269	\$ 1,829,219
Investments	<u>359,541</u>	<u>-</u>	<u>359,541</u>
Total	<u>\$ 2,047,491</u>	<u>\$ 141,269</u>	<u>\$ 2,188,760</u>

Of the total of \$2,052,621 deposited in demand and time deposits as of May 31, 2020, \$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

TOWN OF ZWOLLE, LOUISIANA
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AAAm by Standard & Poor's. The dollar weighted average portfolio maturity of LAMP assets in 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 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 \$17,242 annually. The remaining balance of \$17,331 was paid off during the year ended May 31, 2020.

On June 29, 2018 the Town entered into a \$66,252 loan with Ford Motor Credit Corporation at 6.50% interest to purchase two police cars, repayable annually over three years at \$23,489 per year. The remaining balance of the loan at May 31, 2020 was \$22,055 and was paid off in June 2020.

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 to \$709,775 to begin work on the project, which project was completed as of May 30, 2020. 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, 2020, these funds amounted to \$92,332 and are shown as restricted assets.

As of May 31, 2020 the Town has a note payable to CWSRF in the amount of \$435,384, of which \$22,000 was determined to be the current amount due in 2021. 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.

A summary of long-term debt as of May 31, 2020 follows:

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	<u>Maturity</u> <u>Dates</u>	<u>Interest</u> <u>Rates</u>	<u>Governmental</u>	<u>Business-type</u>
Governmental activities				
Ford Motor Credit Corp	2021	6.50%	\$ 22,055	
Business-type activities				
CWSRF	2021-2037	0.95%	<u>-</u>	<u>435,384</u>
			<u>\$ 22,055</u>	<u>\$ 435,384</u>

The annual requirements to amortize outstanding long-term debt are as follows:

<u>Year ending</u> <u>May 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 44,055	\$ 4,398	\$ 48,453
2022	22,000	3,790	25,790
2023	23,000	2,581	25,581
2024	23,000	3,367	26,367
2025	23,000	3,149	26,149
2026-2037	<u>322,384</u>	<u>19,677</u>	<u>342,061</u>
Total	<u>\$ 457,439</u>	<u>\$ 36,962</u>	<u>\$ 494,401</u>

For the year ended May 31, 2020 the following changes occurred in long-term debt:

	<u>May 31, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>May 31, 2020</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities					
FMCC note payable	\$ 42,764	\$ -	\$ 22,055	\$ 22,055	\$ 22,055
Business-type activities					
LDOTD notes payable	17,331	-	17,331	-	-
	<u>430,945</u>	<u>25,439</u>	<u>21,000</u>	<u>435,384</u>	<u>22,000</u>
	<u>\$ 491,040</u>	<u>\$ 25,439</u>	<u>\$ 60,386</u>	<u>\$ 457,439</u>	<u>\$ 44,055</u>

(10) Sales and Use Tax

On April 16, 1988, the voters of the Town approved a 1% sales and use tax upon the sale

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINICAL STATEMENTS
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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, which was renewed in 2019.

(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.

Regulatory Agencies

The Town provides water and sewer services to the citizens of Zwolle and these services are heavily regulated by DHH and DEQ. Drinking water and sewer treatment discharges are subject to strict guidelines relating to quality. Failure to meet these requirements could subject the Town to penalties. The Town is presently operating under a Compliance Order (Order) from DHH relating to drinking water not meeting the requirements for TTHMs (Total Trihalomethanes). The Town is working with an engineering firm to design and install the needed equipment to comply with the Order and does not presently anticipate the imposition of any penalties by DHH. The cost to comply with the Order is not presently known. On September 30, 2021 DHH has proposed an administrative penalty of \$175,200 for failure to comply with the Order. The Town intends to apply to DHH for mitigation of the penalty and to comply with the Order.

(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, 2020:

Mayor G. J. Martinez	\$	21,600
Council members:		
Allen Rivers		6,930
Martha Henderson		6,930
Carolyn C. Cutright		6,930
Darlene Frazier		6,930
Jermaine Thomas		6,930

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINICAL STATEMENTS
MAY 31, 2020

(14) **Subsequent Events**

Management has evaluated subsequent events through September 30, 2021, 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 \$12,000 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

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINICAL STATEMENTS
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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.

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

TOWN OF ZWOLLE, LOUISIANA
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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 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.

For the plan year ended June 30, 2019, total contributions due from employers and employees was 42.25%. The employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 was 32.25% and

TOWN OF ZWOLLE, LOUISIANA
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10%. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013, were 32.25% and 8%. The employer's contribution rate for all 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 34.75% and 7.5%.

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

At May 31, 2020, the Town of Zwolle reported a liability of \$89,137 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019, 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, 2019, The Town's proportion was .009815%, which was a decrease of 0.003985% from its proportion measured as of June 30, 2018.

At May 31, 2020, 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	\$ 187	\$ 2,742
Changes of assumptions	4,995	0
Net difference between projected and actual earnings on pension plan investments	5,791	0
Changes in proportion and differences between Employer contributions and proportionate share of contributions	5,257	33,154
Employer contributions subsequent to the Measurement date	<u>0</u>	<u>0</u>
Total	\$ <u>16,230</u>	\$ <u>35,896</u>

The \$16,230 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINICAL STATEMENTS
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<u>Year Ending May 31,</u>	
2021	\$ (9,832)
2022	(5,578)
2023	(5,754)
2024	4,884

Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2019 are as follows:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal Cost
Investment Rate of Return	7.125%, net of investment expense
Expected Remaining Service lives	4 years
Inflation Rate	2.60%

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 7.125%. 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.

TOWN OF ZWOLLE, LOUISIANA
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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.

Sensitivity to Changes in Discount Rate

The following presents the Employer's proportionate share of the Net Pension Liability using the discount rate of 7.125%, 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 (6.20%) or one percentage point higher (8.20%) than the current rate.

	1.0% Decrease (6.125%)	Current Discount (7.125%)	1.0% Increase (8.125%)
Employer's proportionate share of the net pension liability	\$ 124,197	\$ 89,137	\$ 59,725

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, 2019, the proportionate share of these monies received by the System on behalf of the Town of Zwolle, was \$2,021.

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.

B. Municipal Employees Retirement System of Louisiana (MERS)

Plan Description

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINICAL STATEMENTS
MAY 31, 2020

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.

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

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:

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINICAL STATEMENTS
MAY 31, 2020

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 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.

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINICAL STATEMENTS
MAY 31, 2020

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 14% of the member's covered salary for the year ended June 30, 2019. Contributions to the pension plan from the Town of Zwolle were \$22,546 for the year ended May 31, 2020.

Non-Employer Contributions

According to state statute, MERS also receives one-fourth (1/4) of 1% of ad valorem taxes collected within the respective parishes except for Orleans. Tax monies are apportioned between Plan A and Plan B in proportion to salaries of plan participants. MERS also receives revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions and considered support from non-employer contributing entities.

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

At May 31, 2020, the Town of Zwolle, Louisiana reported a liability of \$152,681 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019, 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, 2019, The Town's proportion was 0.174%, which was an increase of .001% from June 30, 2018.

At May 31, 2020, 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	\$ 0	\$ 6,762
Changes of assumptions	9,305	0
Net difference between projected and actual earnings on pension plan investments	16,076	0
Changes in proportion and differences between Employer contributions and proportionate share of contributions	2,966	0
Employer contributions subsequent to the Measurement date	<u>22,546</u>	<u>0</u>
Total	\$ <u>50,893</u>	\$ <u>6,762</u>

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINICAL STATEMENTS
MAY 31, 2020

The \$18,788 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, 2020. 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>	
2020	\$ 12,517
2021	5,422
2022	2,141
2023	2,366

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, 2019 are as follows:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7%, net of investment expense
Projected Salary Increases	4.9% - 7.4%
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

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINICAL STATEMENTS
MAY 31, 2020

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.

The discount rate used to measure the total pension liability was 7.0%. 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%, 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 (6.275%) or one percentage point higher (8%) than the current rate.

	1.0% Decrease (6%)	Current Discount Rate (7%)	1.0% Increase (8%)
Employer's proportionate share of the net pension liability	\$ 203,418	\$ 152,681	\$ 109,679

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINICAL STATEMENTS
MAY 31, 2020

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, 2019, the proportionate share of these monies received by the System on behalf of the Town of Zwolle, was \$4,348.

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.

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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 810,000	\$ 810,000	\$ 748,778	\$ (61,222)
Licenses and permits	91,000	91,000	79,106	(11,894)
Intergovernmental	30,400	26,867	87,330	60,463
Charges for services	80,000	80,000	81,819	1,819
Fines and forfeits	60,000	60,000	73,269	13,269
Miscellaneous	88,862	28,862	93,079	64,217
Total revenues	<u>1,160,262</u>	<u>1,096,729</u>	<u>1,163,381</u>	<u>66,652</u>
Expenditures:				
Current:				
General government	330,856	329,866	264,047	65,819
Public safety	437,048	437,048	505,226	(68,178)
Debt service	20,709	20,709	23,489	(2,780)
Highways and streets	292,473	292,473	286,278	6,195
Health and sanitation	-	69,600	75,208	(5,608)
Recreation	19,500	19,500	28,822	(9,322)
Total expenditures	<u>1,100,586</u>	<u>1,169,196</u>	<u>1,183,070</u>	<u>(13,874)</u>
Excess of revenues over expenditures before transfers	59,676	(72,467)	(19,689)	80,526
Proceeds from financing	-	-	-	-
Transfer to Utility Fund	-	-	-	-
	-	-	-	-
Excess of revenues over expenditures	59,676	(72,467)	(19,689)	80,526
Fund balances, beginning of year	<u>2,318,959</u>	<u>2,318,959</u>	<u>2,318,959</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,378,635</u>	<u>\$ 2,246,492</u>	<u>\$ 2,299,270</u>	<u>\$ 80,526</u>

TOWN OF ZWOLLE, LOUISIANA
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM (MPERS)
JUNE 30, 2019

	<u>06/30/15</u>	<u>06/30/16</u>	<u>06/30/17</u>	<u>06/30/18</u>	<u>06/30/2019</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.00014%	.017%	.012%	.012%	.009%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 109,950	\$ 163,012	\$ 108,912	\$ 116,953	\$ 89,137
Employer's Covered-Employee Payroll	\$ 35,617	\$ 39,860	\$ 37,520	\$ 37,235	\$ 30,862
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	309%	221%	290%	314%	289%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71%	66%	70%	72%	71%

* 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, 2019**

	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
2015	\$ 15,019	\$ 15,019	\$ -	\$ 45,860	32.75%
2016	\$ 12,092	\$ 12,092	\$ -	\$ 35,617	33.95%
2017	\$ 11,824	\$ 11,824	\$ -	\$ 37,241	31.75%
2018	\$ 12,554	\$ 12,554	\$ -	\$ 37,235	33.72%
2019	\$ 9,895	\$ 9,895	\$ -	\$ 30,862	32.25%

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, 2019**

Changes in Benefit Terms include:

There were no changes of benefit assumptions for the year ended June 30, 2019.

Changes of Assumptions

The assumed inflation rate for the year ended June 30, 2019 decreased from 2.60% to 2.50%.

There were no changes of mortality rate assumption for the year ended June 30, 2019.

There were no changes of the salary growth rate for the year ended June 30, 2019.

The assumed investment rate decreased from 7.20% to 7.125% for the year ended June 30, 2019.

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, 2019

	<u>06/30/15</u>	<u>06/30/16</u>	<u>06/30/17</u>	<u>06/30/18</u>	<u>06/30/19</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.158%	0.158%	0.170%	0.173%	0.174%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 107,146	\$ 131,372	\$ 147,554	\$ 146,498	\$ 152,631
Employer's Covered-Employee Payroll	\$ 108,512	\$ 116,442	\$ 126,582	\$ 134,871	\$ 132,317
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	99%	113%	117%	109%	115%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69%	63%	63%	64%	66%

* 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, 2019**

	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
2015	\$ 11,014	\$ 11,014	\$ -	\$ 115,937	9.5%
2016	\$ 13,468	\$ 13,468	\$ -	\$ 123,704	10.9%
2017	\$ 16,678	\$ 16,678	\$ -	\$ 129,098	12.9%
2018	\$ 18,788	\$ 18,788	\$ -	\$ 134,872	13.9%
2019	\$ 18,789	\$ 18,789	\$ -	\$ 134,207	14%

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 EMPLOYEES' RETIREMENT SYSTEM (MERS)
FOR THE YEAR ENDED JUNE 30, 2019**

Changes in Benefit Terms include:

There were no changes of benefit assumptions for the year ended June 30, 2019.

Changes of Assumptions

There were no changes of the assumed investment rate of return for the year ended June 30, 2019.

There were no changes of the rate used for projected salary increases for the year ended June 30, 2019.

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, 2020, 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 September 30, 2021.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

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
September 30, 2021

TOWN OF ZWOLLE, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
May 31, 2020

CURRENT YEAR

No reportable findings.

PRIOR YEAR

No reportable findings.

**TOW OF ZWOLLE, LOUISIANA
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENT TO AGENCY HEAD
YEAR ENDED MAY 31, 2020**

Agency Head: Mayor G. J. Martinez

<u>Purpose</u>	<u>Amount</u>
Compensation	\$21,600
Travel	50