

Town of Zwolle, Louisiana
FINANCIAL REPORT
YEAR ENDED MAY 31, 2014



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Eugene W. Fremaux II
Certified Public Accountant

TOWN OF ZWOLLE, LOUISIANA
 ZWOLLE, LOUISIANA
 MAY 31, 2014

	EXHIBIT	PAGE
INDEPENDENT AUDITOR’S REPORT		1
<u>REQUIRED SUPPLEMENTARY INFORMATION – PART I</u>		
Management’s Discussion and Analysis		3
<u>BASIC FINANCIAL STATEMENTS</u>		
<u>Government Wide Financial Statements</u>		
Statement of Net Position	A	6
Statement of Activities	B	7
<u>Fund Financial Statements – Governmental Funds</u>		
Balance Sheet – Governmental Funds	C	8
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	D	9
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	E	10
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	F	11
<u>Fund Financial Statements – Proprietary Fund</u>		
Statement of Net Position – Proprietary Fund	G	12
Statement of Revenues, Expenditures and Changes in Net Position – Proprietary Fund	H	13
Statement of Cash Flows – Proprietary Fund	I	14
<u>Notes to Financial Statements</u>		15
<u>REQUIRED SUPPLEMENTARY INFORMATION – PART II</u>		
Budgetary Comparison – General Fund	J	28
OTHER REPORTS REQUIRED BY <i>GOVERNMENTAL AUDITING STANDARDS</i>		
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 <i>Governmental Auditing Standards</i>		29
Schedule of Findings and Responses		31

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, 2014, 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, 2014, 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 on pages 3 through 5 and budgetary comparison information on page 28 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014, on our consideration of the Town of Zwolle, Louisiana’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Zwolle, Louisiana’s internal control over financial reporting



EUGENE W. FREMAUX II, CPA
November 26, 2014

TOWN OF ZWOLLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2014

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, 2014. Please read it in conjunction with the Town's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Town's net position increased \$111,389 during the year to \$7,819,057.
- Program and general revenues amounted to \$1,508,997, a decrease of \$10,909.
- Expenses for the year amounted to \$1,394,204, a decrease of \$17,667.
- The Town's utility fund had an operating loss of \$96,380 for the year, a decrease of \$29,054.

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, 2014	May 31, 2013	May 31, 2014	May 31, 2013
Current and other assets	\$ 1,739,614	\$ 1,567,003	\$ 810,143	\$ 740,475
Capital assets, net	<u>1,746,395</u>	<u>1,784,800</u>	<u>3,740,089</u>	<u>3,863,403</u>
Total assets	<u>\$ 3,486,009</u>	<u>\$ 3,351,803</u>	<u>\$ 4,550,232</u>	<u>\$ 4,603,878</u>
Current and other liabilities	\$ 27,306	\$ 37,549	\$ 70,391	\$ 69,652
Long-term debt	<u>-</u>	<u>-</u>	<u>116,083</u>	<u>140,812</u>
Total liabilities	<u>27,306</u>	<u>37,549</u>	<u>186,474</u>	<u>210,464</u>
Net Position:				
Invested in capital assets	1,746,395	1,769,359	3,599,320	3,697,945
Restricted				-
Unrestricted	<u>1,712,308</u>	<u>1,544,895</u>	<u>764,438</u>	<u>695,469</u>
Total net position	<u>3,458,703</u>	<u>3,314,254</u>	<u>4,363,758</u>	<u>4,393,414</u>
Total liabilities & net position	<u>\$ 3,486,009</u>	<u>\$ 3,351,803</u>	<u>\$ 4,550,232</u>	<u>\$ 4,603,878</u>

TOWN OF ZWOLLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2014

Condensed Statement of Activities

	Governmental Activities		Business-type Activities	
	Year Ended		Year Ended	
	May 31, 2014	May 31, 2013	May 31, 2014	May 31, 2013
Expenses:				
General government	\$ 194,399	\$ 172,210		
Public Safety	341,623	377,955		
Highways and streets	235,237	191,269		
Public works	67,459	67,258		
Recreation	38,009	41,122		
Interest on long-term debt	446	1,438		
Depreciation-unallocated	-	-		
Total governmental activities	<u>877,173</u>	<u>851,252</u>		
Business-type activities-water & sewer			\$ 517,031	\$ 560,619
Program revenues:				
Charges for services	80,532	80,078	420,651	433,534
Grants and contributions	-	29,517	64,782	38,362
Total program revenues	<u>80,532</u>	<u>109,595</u>	<u>485,433</u>	<u>471,896</u>
General revenues:				
Taxes	734,220	737,412		
Licenses and permits	97,488	87,913		
Fines	31,289	43,214		
Miscellaneous	78,093	65,183	1,942	4,693
Transfers	-	-	-	-
Total general revenues	<u>941,090</u>	<u>933,722</u>	<u>1,942</u>	<u>4,693</u>
Change in net position	<u>\$ 144,449</u>	<u>\$ 192,065</u>	<u>\$ (29,656)</u>	<u>\$ (84,030)</u>

Overall government revenues decreased by \$10,909 to \$1,508,997 this year.

FINANCIAL ANALYSIS OF THE FUNDS

The Town's governmental funds, comprised of the general fund, increased the fund balance \$167,413 during the year. Revenues decreased by \$21,695, and expenses increased \$80,218, primarily due to increased street repair and overlay activity.

The Town's utility fund's net position decreased \$29,656 during the year. Operating revenues decreased \$12,883, and operating expenses decreased by \$41,937 due mainly to a decrease in maintenance costs.

TOWN OF ZWOLLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2014

CAPITAL ASSETS

During 2014, the Town invested \$125,891 in capital assets. The majority of the amount was invested in expenditures related to the street resurfacing and the addition of generator backup for the water wells.

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 United States and the slowdown in the economy of Sabine Parish due to the sharp drop off in drilling activity in the Haynesville Shale formation.

Operating expenses of the Town's utility fund are expected to increase slightly in 2015; and revenues and expenses in the Town's general fund are expected to remain relative constant, with the exception of planned increased expenditures on street maintenance.

Subsequent to May 31, 2014, the Town awarded contracts in the amount of \$346,574 for a project to install an automatic water meter reading system. Completion of this project should have a positive impact on the financial operations of the water system.

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.

TOWN OF ZWOLLE
ZWOLLE, LOUISIANA
STATEMENT OF NET POSITION
MAY 31, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Current assets:			
Cash	\$ 669,707	\$ 1,345,389	\$ 2,015,096
Investments	237,216	118,494	355,710
Due from other governments	60,973	-	60,973
Receivables	24,850	37,024	61,874
Due from other funds	733,544	(733,544)	-
Prepaid expenses	13,324	125	13,449
Total current assets	<u>1,739,614</u>	<u>767,488</u>	<u>2,507,102</u>
Non-current assets:			
Restricted cash	-	42,655	42,655
Capital assets, net of accumulated depreciation	1,742,991	3,740,089	5,483,080
Total non-current assets	<u>1,742,991</u>	<u>3,782,744</u>	<u>5,525,735</u>
TOTAL ASSETS	<u>\$ 3,482,605</u>	<u>\$ 4,550,232</u>	<u>\$ 8,032,837</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and other liabilities	\$ 27,306	\$ 3,050	\$ 30,356
Note payable	-	-	-
Current portion of long-term debt	-	24,686	24,686
Total current liabilities	<u>27,306</u>	<u>27,736</u>	<u>55,042</u>
Current liabilities payable from restricted assets:			
Customer deposits	-	42,655	42,655
Notes payable	-	-	-
Total current liabilities payable from restricted assets	<u>-</u>	<u>42,655</u>	<u>42,655</u>
Non-current liabilities - notes payable	<u>-</u>	<u>116,083</u>	<u>116,083</u>
Total non-current liabilities	<u>-</u>	<u>116,083</u>	<u>116,083</u>
TOTAL LIABILITIES	<u>27,306</u>	<u>186,474</u>	<u>213,780</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	1,742,991	3,599,320	5,342,311
Restricted for debt service	-	-	-
Unrestricted	1,712,308	764,438	2,476,746
TOTAL NET POSITION	<u>\$ 3,455,299</u>	<u>\$ 4,363,758</u>	<u>\$ 7,819,057</u>

TOWN OF ZWOLLE
ZWOLLE, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2014

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program revenues</u>		<u>Net (Expense) Revenue and changes in Net assets</u>		<u>Total</u>
			<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
<u>FUNCTIONS/PROGRAMS</u>							
Governmental activities:							
General government	\$ 194,399				\$ (194,399)	\$ -	\$ (194,399)
Public safety	341,623				(341,623)		(341,623)
Highways and streets	238,641			\$ -	(238,641)		(238,641)
Public works	67,459	\$ 80,532			13,073		13,073
Recreation	38,009				(38,009)		(38,009)
Interest on long-term debt	446				(446)		(446)
Depreciation - Unallocated	-	-	-	-	-	-	-
Total governmental activities	<u>880,577</u>	<u>80,532</u>	<u>-</u>	<u>-</u>	<u>(800,045)</u>	<u>-</u>	<u>(800,045)</u>
Business-type activities-Water and Sewer	<u>517,031</u>	<u>420,651</u>	<u>-</u>	<u>64,782</u>	<u>-</u>	<u>(31,598)</u>	<u>(31,598)</u>
Total primary government	<u>1,397,608</u>	<u>501,183</u>	<u>-</u>	<u>64,782</u>	<u>(800,045)</u>	<u>(31,598)</u>	<u>(831,643)</u>
General revenues:							
Taxes:							
Ad valorem					59,127		59,127
Sales taxes					588,805		588,805
Franchise					86,288		86,288
Licenses and permits					97,488		97,488
Fines					31,289		31,289
Miscellaneous					78,093	1,942	80,035
Transfers					-	-	-
Total general revenues					<u>941,090</u>	<u>1,942</u>	<u>943,032</u>
Change in net position					141,045	(29,656)	111,389
Net position, beginning of year					<u>3,314,254</u>	<u>4,393,414</u>	<u>7,707,668</u>
Net position, end of year					<u>\$ 3,455,299</u>	<u>\$ 4,363,758</u>	<u>\$ 7,819,057</u>

TOWN OF ZWOLLE
 ZWOLLE, LOUISIANA
 GOVERNMENTAL FUNDS BALANCE SHEET
 MAY 31, 2014

ASSETS

Cash	\$ 669,707
Investments	237,216
Due from other governments	60,973
Receivables	24,850
Due from other funds	733,544
Prepaid expenses	<u>13,324</u>
Total assets	<u>\$ 1,739,614</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable and other liabilities	\$ 27,306
Note payable	<u>-</u>
Total liabilities	27,306
Fund balance - unassigned	<u>1,712,308</u>
Total liabilities and fund balance	<u>\$ 1,739,614</u>

TOWN OF ZWOLLE

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

MAY 31, 2014

Total fund balances - Governmental Funds		\$	1,712,308
Cost of capital assets at May 31, 2014	\$	2,540,917	
Less accumulated depreciation at May 31, 2014		<u>(797,926)</u>	1,742,991
Long-term note payable not reported in fund liabilities			<u>-</u>
Total net position at May 31, 2014 - Governmental Activities		\$	<u>3,455,299</u>

TOWN OF ZWOLLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
GENERAL FUND
YEAR ENDED MAY 31, 2014

Revenues:	
Taxes	\$ 734,219
Licenses and permits	97,488
Intergovernmental	41,894
Charges for services	80,532
Fines and forfeits	31,289
Miscellaneous	<u>36,200</u>
 Total revenues	 <u>1,021,622</u>
Expenditures:	
Current:	
General government	192,553
Public safety	323,689
Debt service	14,887
Highways and streets	244,368
Health and sanitation	67,459
Recreation	<u>11,253</u>
 Total expenditures	 <u>854,209</u>
 Excess of revenues over expenditures before transfers	
Excess of revenues over expenditures	<u>167,413</u>
 Proceeds from financing	 -
Transfer to Utility Fund	<u>-</u>
	<u>-</u>
 Excess of revenues over expenditures	 167,413
 Fund balances, beginning of year	 <u>1,544,895</u>
 Fund balances, end of year	 <u>\$ 1,712,308</u>

TOWN OF ZWOLLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
GENERAL FUND
YEAR ENDED MAY 31, 2014

Excess of revenues over expenditures		\$ 167,413
Capital assets:		
Capital outlay capitalized	\$ 74,423	
Depreciation expense for year ended May 31, 2014	<u>(116,232)</u>	(41,809)
Loss on retirement of capital assets		-
Principal payments on notes payable recorded as expense in fund statement		15,441
Proceeds from long term financing		<u>-</u>
Change in net assets - Government Activities		<u>\$ 141,045</u>

TOWN OF ZWOLLE, LOUISIANA
 PROPRIETARY FUND (UTILITY FUND)
 STATEMENT OF NET POSITION
 MAY 31, 2014

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,345,389
Investments, at cost	118,494
Accounts receivable	37,024
Due from other governments	-
Prepaid expenses	125
Total current assets	<u>1,501,032</u>

Non-current assets:

Restricted cash and cash equivalents	42,655
Capital assets, net	<u>3,740,089</u>
Total non-current assets	<u>3,782,744</u>
Total assets	<u>5,283,776</u>

LIABILITIES

Current liabilities:

Accounts payable	3,050
Current portion of long-term debt	24,686
Due to General Fund	<u>733,544</u>
Total current liabilities	<u>761,280</u>

Current liabilities payable from restricted assets:

Customer deposits	42,655
Notes payable	-
Total current liabilities payable from restricted assets	<u>42,655</u>

Non-current liabilities-notes payable

	<u>116,083</u>
Total liabilities	<u>920,018</u>

NET POSITION

Invested in capital assets, net of related debt	3,599,320
Restricted for debt service	-
Unrestricted	<u>764,438</u>
Total net position	<u>\$ 4,363,758</u>

TOWN OF ZWOLLE, LOUISIANA
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUND
 YEAR ENDED
 MAY 31, 2014

Operating revenues:	
Water charges	\$ 214,621
Sewer charges	180,384
Tap, connect and reconnect fees	<u>25,646</u>
Total operating revenues	<u>420,651</u>
Operating expenses:	
Water Department:	
Personnel	77,510
Supplies	26,393
Repairs and maintenance	27,431
Utilities	21,117
Insurance	13,630
Depreciation	38,308
Other expenses	<u>37,426</u>
Total water department expenses	<u>241,815</u>
Sewer Department:	
Personnel	26,434
Supplies	11,766
Repairs and maintenance	6,029
Utilities	63,264
Insurance	4,543
Depreciation	151,314
Other expenses	<u>11,866</u>
Total sewer department expenses	<u>275,216</u>
Total operating expenses	<u>517,031</u>
Operating income (loss)	<u>(96,380)</u>
Nonoperating revenues (expenses):	
Interest income	1,942
Grants	64,782
Interest expense	<u>-</u>
	<u>66,724</u>
Income before transfers	(29,656)
Transfer from General Fund	<u>-</u>
Change in net position	(29,656)
Net position, beginning of year	<u>4,393,414</u>
Net position, end of year	<u>\$ 4,363,758</u>

TOWN OF ZWOLLE, LOUISIANA
STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE
YEAR ENDED MAY 31, 2014

Cash flows from operating activities:	
Cash received from customers	\$ 420,722
Cash payments to suppliers	(221,579)
Cash payments to employees	(92,459)
Cash received from customers' deposits	10,240
Cash refunded for customers' deposits	<u>(9,990)</u>
Net cash provided by operating activities	<u>106,934</u>
Cash flows from noncapital activities:	
Transfers from general fund	-
Increase in due to general fund	<u>(2,352)</u>
Net cash provided (used) by noncapital activities	<u>(2,352)</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(24,689)
Grants received	64,782
Interest paid	-
Payments for capital acquisitions	<u>(77,430)</u>
Net cash provided (used) by capital and related financing activities	<u>(37,337)</u>
Cash flows from investing activities:	
Receipt of interest	<u>1,942</u>
Net cash provided by investing activities	<u>1,942</u>
Net increase (decrease) in cash and cash equivalents	69,187
Cash, cash equivalents and investments, beginning of year	<u>1,437,351</u>
Cash, cash equivalents and investments, end of year	<u>\$ 1,506,538</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	<u>(96,380)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	189,622
Provision for doubtful accounts receivable	1,800
Loss on disposition of assets	11,122
(Increase) decrease in accounts receivable	71
Increase (decrease) in accounts payable and accrued wages payable	449
Increase in customers' deposits	<u>250</u>
Total adjustments to operating income (loss)	<u>203,314</u>
Cash flows from operating activities:	<u>106,934</u>

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2014

(1) Summary of Significant Accounting Policies

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

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

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

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

Financial Reporting Entity

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

Government-wide and fund financial statements

The government-wide financial statements (GWFS) (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2014

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

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

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net position, revenues expenditures/expenses and

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2014

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

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

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

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

Capital assets

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

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

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

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2014

not capitalized.

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

Water and sewer system	10 – 50 years
Water wells and pumps	20 years
Water filter systems	10 – 25 years
Water meters and hydrants	25 years
Trucks	5 years
Equipment	5 – 25 years

Long-term obligations

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

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

Budgets and Budgetary Accounting

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

1. The Town Treasurer prepares a proposed budget and submits same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding estimated amounts require the approval of the Board of Aldermen.

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2014

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.

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

Bad debts

Uncollectible amounts due for ad valorem taxes and customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. At May 31, 2014, the reserve for uncollectible amounts amounted to \$17,203.

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, 2014, are recorded as prepaid items.

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2014

Estimates

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

(2) Ad Valorem Taxes

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

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

For the year ended May 31, 2014, taxes of 7.85 mills were levied on property with assessed valuations totaling \$7,432,530. Total taxes levied were \$58,346 for general corporate purposes.

(3) Interfund Receivables and Payables

Individual interfund receivables and payable balances at May 31, 2014, were as follows:

(4) Due from Other Governmental Units

Amounts due from other governmental units at May 31, 2014, consisted of the following:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 733,544	\$ -
Proprietary Fund	<u>-</u>	<u>733,544</u>
Total	<u>\$ 733,544</u>	<u>\$ 733,544</u>

(5) Restricted Assets - Proprietary Fund Type

Restricted assets of \$42,655 were applicable to customer meter deposits payable at May 31, 2014.

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2014

(6) Changes in Fixed Assets

A summary of changes in general fixed assets for 2014 follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	Ending <u>Balance</u>
Land	\$ 151,991	\$ -	\$ -	\$ 151,991
Buildings	870,103			870,103
Equipment	100,450			100,450
Vehicles	73,112			73,112
Streets	<u>1,270,838</u>	<u>74,423</u>	<u>-</u>	<u>1,345,261</u>
 Total	 <u>\$ 2,466,494</u>	 <u>\$ 74,423</u>	 <u>\$ -</u>	 <u>\$ 2,540,917</u>

A summary of changes in accumulated depreciation for 2014 follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	Ending <u>Balance</u>
Buildings	\$ 298,986	\$ 26,878		\$ 325,864
Equipment	81,967	3,819		85,786
Vehicles	42,786	17,252		60,038
Streets	<u>257,955</u>	<u>68,283</u>	<u>-</u>	<u>326,238</u>
 Total	 <u>\$ 681,694</u>	 <u>\$ 116,232</u>	 <u>\$ -</u>	 <u>\$ 797,926</u>

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2014

A summary of changes in proprietary fund type property, plant and equipment for 2014 follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	Ending <u>Balance</u>
Building	\$ 5,940	\$ -	\$ -	\$ 5,940
Land	7,160	-	-	7,160
Water System	1,794,032	40,568	-	1,834,600
Sewer System	4,363,707	6,400	2,780	4,367,327
Trucks	17,250	-	-	17,250
Equipment	54,501	4,500	14,566	44,435
Construction in Progress	<u>29,985</u>	<u>25,962</u>	<u>-</u>	<u>55,947</u>
Total	<u>\$ 6,272,575</u>	<u>\$ 77,430</u>	<u>\$ 17,346</u>	<u>\$ 6,332,659</u>

A summary of changes in accumulated depreciation for 2014 follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	Ending <u>Balance</u>
Building	\$ 4,026	\$ 198	\$ -	\$ 4,224
Water System	915,013	32,812	-	947,825
Sewer System	1,437,757	151,314	2,780	1,586,291
Trucks	12,992	1,250	-	14,242
Equipment	39,384	4,049	3,444	39,989
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$2,409,172</u>	<u>\$ 189,623</u>	<u>\$ 6,224</u>	<u>\$2,592,571</u>

(7) Pension Plans

Substantially all employees of the Town are members of the following statewide retirement's systems. These systems are cost sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

Municipal Police Employees' Retirement System

Plan Description. The Municipal Police Employees' Retirement System provides retirement benefits to employees of any municipality in the state which employs a full-time police officer, empowered to make arrests, or which has an elected Chief of Police whose salary is at least \$100 per month.

Eligible employees include any full-time police officer, empowered to make arrests, employed by a municipality of the State and engaged in law enforcement, earning at least \$375 per month excluding state supplemental pay, or an elected Chief of Police whose salary is at least \$100 per month. Elected

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2014

Councilmen and Mayors are excluded from membership.

Persons who were members on September 7, 1977 must remain members of the System and persons hired on or after that date must become members of the System as a condition of employment if they are under age 50 and are not covered by the Social Security System.

Employees attaining the age of 50 completing 20 or more years of service, or the age of 55 and completing 12 years of service, are entitled to a yearly benefit of 3 1/3% of their average final compensation, as defined in the plan, times years of creditable service. Active employees who become disabled after 1985 due to total and permanent disability, with at least 5 years of creditable service, receive a benefit of 3% of average final compensation multiplied by the years of creditable service, but not less than 40% nor more than 60% of average final compensation. Upon reaching retirement age, disability pensioners receive the greater of disability benefits or accrued benefits earned to the date of disability. Prior to the enactment of Act 81 of 1985, other disability rules may be applicable as described in the plan. The system also provides for death benefits as described in the plan.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling 225-929-7411.

Funding Policy. Covered employees are required by state statute to contribute 7.5% of their salary to the System. The Town is required to contribute 33.5% of covered employees' salaries to the System. The contribution requirement for the Town for the year ended May 31, 2014, 2013, and 2012 were \$13,904, \$17,190, and \$20,948, respectively. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

Municipal Employees' Retirement System

Plan Description. Other full time employees participate in the Municipal Employees' Retirement System of Louisiana (the System), Plan B, a multiple-employer public employee retirement system. Employees who retire at or after age 65 with 10 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final-average salary for each year of credited service. Final-average salary is the employee's average salary over the last three years of credited service. Employees may retire at or after age 60 and receive reduced retirement benefits. The System also provides death and disability benefits. Benefits are established by State statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling 225-925-4810.

Funding Policy. Under Plan B participating employees contribute 5% of their total salary into the System, and the Town contributes an amount equal to 8.75%, of the total salaries of participating employees. For the year ended May 31, 2014, 2013, and 2012, the total contributions by the Town to this System were \$10,776, \$12,514, and \$9,704, respectively.

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2014

The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

(8) Lease Obligations

The Town is obligated under a certain lease accounted for as an operating lease. This lease is for the use of land comprising 2.98 acres for the operation and drilling of water wells. The term of the lease is forty years with an annual rental of \$1,500 payable monthly at \$125 per month. Operating leases do not give rise to property rights or lease obligations, and therefore the result of the lease agreement is not reflected in the Town's account groups. The following is a schedule by years of future minimum rental payments under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of May 31, 2014:

Year ending May 31,	Amount
2015	\$ 1,500
2016	1,500
2017	1,500
2018	1,500
2019	1,500
Later years	<u>16,625</u>
Total minimum payments required	<u>\$ 24,125</u>

(9) Cash and Investments

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

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

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2014

At May 31, 2014, the Town has cash and investments as follows:

	Unrestricted	Restricted	Total
Cash	\$ 2,015,096	\$ 42,655	\$ 2,057,751
Investments	<u>355,710</u>	<u>-</u>	<u>355,710</u>
 Total	 <u>\$ 2,370,806</u>	 <u>\$ 42,655</u>	 <u>\$ 2,413,461</u>

Of the total of \$2,413,061 deposited in demand and time deposits as of May 31, 2014, \$374,829 was secured through federal depository insurance, \$1,715,899 was secured by the pledge of securities owned by the depository bank, and \$322,333 was on deposit with the Louisiana Asset Management Pool (LAMP). These securities are held in the name of the pledging bank in a custodial bank that is mutually acceptable to both parties. These secured bank deposits are considered uncollateralized under the provisions of GASB Statement 3; however, Louisiana Revised Statutes require the custodial bank to advertise and sell the pledged securities within ten (10) days of being notified by the Town that the pledging bank has failed to pay deposited funds upon demand.

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

(10) Long-term Debt

On November 1, 1999 the town entered into a Utility Relocation Assistance Funding Agreement with the Louisiana Department of Transportation & Development (DOTD) whereby DOTD agreed to loan the town up to \$136,361 in connection with utility relocation costs on Highway 171. The town has recorded a non-interest bearing note payable to DOTD in the amount of \$74,460 in connection with this project. Although there is no formal repayment schedule for this loan, in June 2010 the town began repaying this loan at the rate of \$7,446 annually. The balance at May 31, 2014 is \$37,230.

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 non-interest bearing note payable to DOT in the amount of \$172,424 in connection with this project. Although there is no formal repayment schedule for this loan, in July 2011 the town began repaying this loan at the rate of \$17,200 annually. The balance at May 31, 2014 is \$103,539.

On June 17, 2011, the Town entered into a \$43,843 loan with Ford Motor Credit Corporation at 6.15% interest to purchase two police cars, repayable over thirty-six (36) months at \$1,330 per month. This loan was paid off in May of 2014.

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2014

The following is a summary schedule by years of future payments under the above debt:

Year ending	Principal	Interest	Total
<u>May 31</u>			
2015	\$ 24,646	\$ -	\$ 24,646
2016	24,646	-	24,646
2017	24,646	-	24,646
2018	24,646	-	24,646
2019	24,646	-	24,646
Later years	<u>17,539</u>	<u>-</u>	<u>17,539</u>
Total	<u>\$ 140,769</u>	<u>\$ -</u>	<u>\$ 140,769</u>

(11) Sales and Use Tax

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

(12) 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.

(13) 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.

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2014

(14) 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, 2014:

Mayor G. J. Martinez	\$ 12,000
Council members:	
Allen Rivers	4,800
Martha Henderson	4,800
Carolyn C. Cutright	4,800
Darlene Frazier	4,800
Stephen Remedies	4,800

(15) Subsequent Events

In November 2013 the Town awarded a contract, in the amount of \$135,800, for waterline installation work. This project is being funded with a Louisiana capital outlay grant. The waterline installation work was in progress at May 31, 2014. In addition, subsequent to May 31, 2014, the Town has awarded contracts in the amount of \$346,574 for a project to install an automatic water meter reading system. Management has evaluated subsequent events through November 26, 2014, the date the financial statements were available to be issued, and determined that no additional disclosures are warranted.

(16) 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.

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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 715,000	\$ 715,000	\$ 734,219	\$ 19,219
Licenses and permits	92,500	92,500	97,488	4,988
Intergovernmental	18,900	18,900	41,894	22,994
Charges for services	77,000	77,000	80,532	3,532
Fines and forfeits	45,000	45,000	31,289	(13,711)
Miscellaneous	31,150	31,150	36,200	5,050
	<u>979,550</u>	<u>979,550</u>	<u>1,021,622</u>	<u>42,072</u>
Total revenues				
Expenditures:				
Current:				
General government	190,994	190,994	192,553	(1,559)
Public safety	342,640	342,640	323,689	18,951
Debt service	16,000	16,000	14,887	1,113
Highways and streets	234,145	234,145	244,368	(10,223)
Health and sanitation	58,500	58,500	67,459	(8,959)
Recreation	26,000	26,000	11,253	11,253
	<u>868,279</u>	<u>868,279</u>	<u>854,209</u>	<u>10,576</u>
Total expenditures				
Excess of revenues over expenditures before transfer	111,271	111,271	167,413	31,496
Proceeds from financing	-	-	-	-
Transfer to Utility Fund	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures				
	111,271	111,271	167,413	31,496
Fund balances, beginning of year	<u>1,544,895</u>	<u>1,544,895</u>	<u>1,544,895</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,656,166</u>	<u>\$ 1,656,166</u>	<u>\$ 1,712,308</u>	<u>\$ 31,496</u>

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, 2014, and the related notes to the financial statements, which collectively comprise Town of Zwolle, Louisiana's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 26, 2014.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Standards*.

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.

A handwritten signature in black ink, appearing to read "E. W. Fremaux II", followed by a horizontal line and a dash.

EUGENE W. FREMAUX II, CPA
November 26, 2014

TOWN OF ZWOLLE, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
May 31, 2014

CURRENT YEAR

None

PRIOR YEAR

None