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**Town of Zwolle, Louisiana**

**FINANCIAL REPORT**

**YEAR ENDED MAY 31, 1999**

Under provisions of state law, this report is a public document. A copy of the report is submitted to the governing body, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date: JAN 05 2000



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

**Eugene W. Fremaux II**

**Certified Public Accountant**

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**INDEPENDENT AUDITOR'S REPORT**

The Honorable Roger Lopez, Mayor  
and Board of Aldermen  
Town of Zwolle, Louisiana

I have audited the accompanying general purpose financial statements of the Town of Zwolle, Louisiana, and the combining, individual fund and account group financial statements of the Town of Zwolle, Louisiana, as of May 31, 1999, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards 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 I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Town of Zwolle, Louisiana, as of May 31, 1999, the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles. Also, in my opinion, the combining, individual fund, and account group financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of each of the individual funds and account groups of the Town of Zwolle at May 31, 1999, and the results of operations of such funds and the cash flows of the individual proprietary fund for the year then ended, in conformity with generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the combining, individual fund and account group financial statements. The accompanying financial information listed as "Other Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Town of Zwolle, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose, combining, individual fund and account group financial statements and in my opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and account groups, taken as a whole.

In accordance with Government Auditing Standards, I have also issued my report dated November 26, 1999 on my consideration of the Town of Zwolle, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The financial statements for the year ended May 31, 1998, which are included for comparative purposes, were taken from the financial report for that year in which I expressed an unqualified opinion dated November 25, 1998, on the general purpose, combining, individual fund, and account group financial statements of the Town of Zwolle, Louisiana.



EUGENE W. FREMAUX II, CPA

November 26, 1999

GENERAL PURPOSE FINANCIAL STATEMENTS  
(COMBINED STATEMENTS - OVERVIEW)

TOWN OF ZWOLLE, LOUISIANA  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
MAY 31, 1999

	GOVERNMENTAL FUND TYPE			PROPRIETARY FUND TYPE	ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)	
	GENERAL	CAPITAL PROJECTS	ENTERPRISE	GENERAL FIXED ASSETS	1999	MAY 31, 1998	
<b>ASSETS</b>							
Cash and cash equivalents	\$188,108	\$79	\$121,578		\$309,765	\$813,553	
Investments	300,000		200,000		500,000	0	
Receivables	20,480		22,545		43,025	49,688	
Due from Water and Sewer Fund	86,332				86,332	214,593	
Due from other governments	3,962		43,015		46,977	4,363	
Prepaid expenses	10,989		125		11,114	4,214	
Restricted cash and cash equivalents			71,375		71,375	84,271	
Land			1,560	\$12,172	13,732	13,732	
Buildings				86,189	86,189	85,260	
Equipment				107,043	107,043	96,801	
Autos and trucks				178,852	178,852	145,558	
Coding of ordinances				3,250	3,250	3,250	
Recreation equipment				39,860	39,860	34,860	
Utility plant and equipment			2,856,593		2,856,593	2,313,891	
Accumulated depreciation			(847,518)		(847,518)	(779,923)	
<b>Total assets</b>	<b>\$609,871</b>	<b>\$79</b>	<b>\$2,469,273</b>	<b>\$427,366</b>	<b>\$3,506,589</b>	<b>\$3,084,111</b>	

The notes to the financial statements are an integral part of this statement.

TOWN OF ZWOLLE, LOUISIANA  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
MAY 31, 1999

	GOVERNMENTAL FUND TYPE		PROPRIETARY FUND TYPE	ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)	
	GENERAL	CAPITAL PROJECTS	ENTERPRISE	GENERAL FIXED ASSETS	1999	MAY 31, 1998
<b>LIABILITIES AND FUND EQUITY</b>						
Liabilities:						
Accounts payable	\$8,446		\$102,807		\$111,253	\$68,852
Sales taxes payable			404		404	389
Payroll taxes withheld and payable	3,571				3,571	2,974
Accrued wages payable	9,785				9,785	8,254
Unearned revenue	0				0	300
Payable from restricted assets:						
Customers' deposits			21,775		21,775	21,250
Accounts payable			0		0	19,000
Water revenue bonds-current portion			9,856		9,856	9,253
Interest payable			2,766		2,766	1,802
Water revenue bonds			711,183		711,183	721,555
Due to General Fund			86,332		86,332	214,593
Total liabilities	21,802		935,123	0	956,925	1,068,222
Fund Equity:						
Contributed capital			1,599,964	\$427,366	1,599,964	1,064,450
Investments in general fixed assets					427,366	377,901
Retained earnings:						
Reserved			49,600		49,600	44,021
Unreserved			(115,414)		(115,414)	(57,297)
Fund balances:						
Unreserved:						
Undesignated	588,069	\$79			588,148	586,814
Total retained earnings(deficit)/fund balances	588,069	79	(65,814)	0	522,334	573,538
Total fund equity	588,069	79	1,534,150	427,366	2,549,664	2,015,889
Total liabilities and fund equity	\$609,871	\$79	\$2,469,273	\$427,366	\$3,506,589	\$3,084,111

The notes to the financial statements are an integral part of this statement.



TOWN OF ZWOLLE, LOUISIANA  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 GOVERNMENTAL FUND TYPE  
 GENERAL FUND  
 YEARS ENDED MAY 31, 1999 AND 1998

	YEAR ENDED MAY 31,	
	1999	1998
Revenues:		
Taxes	\$347,457	\$303,291
Licenses and permits	67,059	69,271
Intergovernmental	24,441	24,284
Charges for services	41,129	41,068
Fines and forfeits	26,476	25,924
Miscellaneous	29,090	19,847
Total revenues	<u>535,652</u>	<u>483,685</u>
Expenditures:		
Current:		
General government	125,081	112,673
Public safety:		
Police department	207,021	170,793
Fire department	3,022	506
Highways and streets	145,903	105,533
Health and sanitation	45,928	44,481
Recreation	7,442	444
Total expenditures	<u>534,397</u>	<u>434,430</u>
Excess of revenues over expenditures	1,255	49,255
Fund balances, beginning of year	<u>586,814</u>	<u>537,559</u>
Fund balances, end of year	<u>\$588,069</u>	<u>\$586,814</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT C

TOWN OF ZWOLLE, LOUISIANA  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET (GAAP BASIS) AND ACTUAL - GOVERNMENTAL FUND TYPE  
 GENERAL FUND  
 YEARS ENDED MAY 31, 1999 AND 1998

	1999		1998		VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET	ACTUAL	BUDGET	ACTUAL	
Revenues:					
Taxes	\$286,000	\$347,457	\$277,000	\$303,291	\$26,291
Licenses and permits	64,000	67,059	64,000	69,271	5,271
Intergovernmental	21,600	24,441	21,600	24,284	2,684
Charges for services	42,500	41,129	42,500	41,068	(1,432)
Fines and forfeits	24,000	26,476	34,000	25,924	(8,076)
Miscellaneous	18,700	29,090	18,700	19,847	1,147
Total revenues	456,800	535,652	457,800	483,685	25,885
Expenditures:					
Current:					
General government	110,583	125,081	113,066	112,673	393
Public safety:					
Police department	198,207	207,021	168,073	170,793	(2,720)
Fire department	0	3,022	0	506	(506)
Highways and streets	212,310	145,903	193,581	105,533	88,048
Health and sanitation	46,298	45,928	45,222	44,481	741
Recreation	6,045	7,442	1,000	444	556
Total expenditures	573,443	534,397	520,942	434,430	86,512
Excess (deficiency) of revenues over (under) expenditures	(116,643)	1,255	(63,142)	49,255	112,397
Other financing uses:					
Operating transfers out	0	0	0	0	0
Total other financing uses	0	0	0	0	0
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(116,643)	1,255	(63,142)	49,255	112,397
Fund balances, beginning of year	586,814	586,814	537,559	537,559	0
Fund balances, end of year	\$470,171	\$588,069	\$474,417	\$586,814	\$112,397

The notes to the financial statements are an integral part of this statement.

TOWN OF ZWOLLE, LOUISIANA  
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -  
 PROPRIETARY FUND TYPE  
 YEARS ENDED MAY 31, 1999 AND 1998

	YEAR ENDED MAY 31,	
	1999	1998
Operating revenues:		
Water charges	\$168,856	\$169,714
Sewer charges	51,980	51,443
Tap, connect and reconnect fees	16,468	13,799
Total operating revenues	237,304	234,956
Operating expenses:		
Water Department:		
Audit fee	1,725	1,725
Bad debt expense	354	(110)
Depreciation	37,003	37,856
Insurance	5,999	5,888
Miscellaneous	7,438	1,347
Office supplies	2,533	2,660
Payroll taxes	3,318	2,934
Rent	2,681	1,751
Repairs and maintenance	15,974	11,639
Salaries	43,368	33,850
Supplies	18,047	10,674
Telephone	681	1,288
Travel	300	532
Truck expense	1,728	2,417
Utilities	18,523	20,360
Total water department expenses	159,672	134,811
Sewer Department:		
Chemicals	2,673	1,259
Audit fee	1,725	1,725
Consultant fees	0	0
Depreciation	30,592	23,491
Insurance	2,532	2,192
Miscellaneous	1,566	1,575
Office supplies	0	337
Payroll taxes	901	895
Repairs and maintenance	12,497	17,368
Salaries	11,783	10,393
Sewer testing	4,185	4,260
Supplies	5,397	5,025
Travel	0	20
Truck expenses	797	1,060
Utilities	34,536	3,776
Total sewer department expenses	109,184	73,376
Total operating expenses	268,856	208,187
Operating income (loss)	(31,552)	26,769
Nonoperating revenues (expenses):		
Interest income	15,809	13,937
Interest expense	(36,795)	(37,091)
	(20,986)	(23,154)
Net income (loss)	(52,538)	3,615
Retained earnings, beginning of year	(13,276)	(16,891)
Retained earnings (deficit), end of year	(\$65,814)	(\$13,276)

The accompanying notes are an integral part of these statements.

TOWN OF ZWOLLE, LOUISIANA  
COMPARATIVE STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE  
YEARS ENDED MAY 31, 1999 AND 1998

	YEAR ENDED MAY 31,	
	1999	1998
Cash flows from operating activities:		
Cash received from customers	\$243,916	\$227,701
Cash payments to suppliers and employees	(290,229)	(68,466)
Cash received from customers' deposits	4,950	5,800
Cash refunded for customers' deposits	(4,425)	(5,575)
Net cash provided by operating activities	(45,788)	159,460
Cash flows from capital and related financing activities:		
Principal paid on revenue bonds	(9,769)	(9,904)
Grant funds received from Louisiana	417,042	39,943
Grant funds received from federal sources	75,457	
Interest paid on revenue bonds	(35,831)	(35,695)
Payments for construction activities	(559,702)	(21,053)
Payments for capital acquisitions	(2,000)	(26,034)
Net cash provided (used) by capital and related financing activities	(114,803)	(52,743)
Cash flows from investing activities:		
Receipt of interest	15,809	13,937
Net cash provided by investing activities	15,809	13,937
Net increase (decrease) in cash and cash equivalents	(144,782)	120,654
Cash and cash equivalents, beginning of year	537,735	417,081
Cash and cash equivalents, end of year	\$392,953	\$537,735
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	(\$31,552)	\$26,769
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	67,595	61,347
Provision for doubtful accounts receivable	354	(84)
(Increase) decrease in accounts receivable	6,612	(7,255)
(Increase) decrease in prepaid expenses	(125)	0
Increase (decrease) in sales taxes payable	15	(124)
Increase (decrease) in accounts payable and accrued wages payable	39,049	24,655
Increase in customers' deposits	525	225
Increase (decrease) in due to other funds	(128,261)	53,927
Total adjustments to operating income (loss)	(14,236)	132,691
Net cash provided by operating activities	(\$45,788)	\$159,460

The accompanying notes are an integral part of these statements.

TOWN OF ZWOLLE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 1999

(1) Summary of Significant Accounting Policies

The Town of Zwolle 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 of Zwolle 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.

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

Principles determining scope of reporting entity

In evaluating how to define the Town of Zwolle 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 of Zwolle consists of only the funds and account groups since the Town has no oversight responsibility for any other governmental entity.

Fund accounting

The accounts of the Town of Zwolle are organized on the basis of funds and account groups, 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 equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two generic fund types and two broad fund categories as follows:

Governmental Fund - 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

TOWN OF ZWOLLE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 1999

in another fund.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the construction of major capital facilities.

Proprietary Fund - Enterprise Fund

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing water and sewer 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 the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

In addition to the two broad types of governmental funds, the Town also maintains one account group as described below:

General Fixed Assets Account Group -

This is not a fund but rather an account group that is used to account for general fixed assets acquired principally for general purposes and excludes fixed assets in the Enterprise Fund.

Fixed assets and long-term liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus.

All governmental fund type operations are accounted for on a spending or "financial flow" measurement focus and only current assets and current liabilities are generally included on their balance sheets.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund types when purchased. The Town has elected not to capitalize public domain ("infrastructure") fixed assets consisting of certain improvements other than buildings, including roads, bridges, sidewalks, and drainage improvements. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are stated at their estimated fair market value on the date donated. Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group. The Town has no long-term liabilities as of May 31, 1995.

The account group is not a "fund". It is concerned only with the measurement of financial position. It is not concerned with measurement of results of operations.

TOWN OF ZWOLLE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 1999

The proprietary fund is accounted for on a cost of services or "capital maintenance" measurement focus, and all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets.

Depreciation of all exhaustible fixed assets by the proprietary fund is charged as an expense against its operations. 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

Basis of accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become susceptible to accrual (i.e., measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred except that accumulated unpaid vacation and sick pay are not accrued and principal and interest on general long-term debt is recognized when due. Purchase of various operating supplies are regarded as expenditures at the time purchased.

The primary revenue sources which are susceptible to accrual under the modified accrual basis of accounting include governmental revenues received for a specific period or quarter such as beer tax, tobacco tax, fire insurance tax, garbage charges receivable from the Enterprise Fund, sales taxes, franchise taxes, and interest income. These revenue sources are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available. Taxpayer assessed income, such as ad valorem taxes, and gross receipts from fines, occupational licenses and permits are considered measurable when in the hands of collecting governments and are recognized as revenue at that time. Miscellaneous revenues other than interest income

TOWN OF ZWOLLE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 1999

are recorded when received in cash because they are generally not measurable until actually received.

The proprietary fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

The Town reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Town before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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 of Zwolle defines cash and cash equivalents as follows:



TOWN OF ZWOLLE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 1999

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 - 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.

Comparative data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

Total columns on combined statements - overview

Total columns on the combined statements - overview are captioned "(MEMORANDUM ONLY)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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.

(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 in compliance with NCGA Interpretation - 3 and GASB Codification Section P70 (Revenue Recognition - Property Taxes) which states that such revenue is recorded 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.

TOWN OF ZWOLLE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 1999

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, 1999, taxes of 7.55 mills were levied on property with assessed valuations totaling \$5,590,490. Total taxes levied were \$42,209 which were for general corporate purposes. Ad valorem taxes receivable at May 31, 1999 amounted to \$348.

(3) Interfund Receivables and Payables

Individual interfund receivables and payable balances at May 31, 1999, were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 86,322	\$ 0
Proprietary Fund	<u>0</u>	<u>86,322</u>
<u>Total</u>	<u>\$ 86,322</u> =====	<u>\$ 86,322</u> =====

(4) Due from Other Governmental Units

Amounts due from other governmental units at May 31, 1999, consisted of the following:

<u>General Fund</u>	
Beer, tobacco, and video poker taxes due from the State of Louisiana	\$ 3,962
<u>Enterprise Fund</u>	
Due from State of Louisiana-capital outlay	<u>43,015</u>
	\$46,977 =====

(5) Restricted Assets - Proprietary Fund Type

Restricted assets were applicable to the following at May 31:

	<u>1999</u>	<u>1998</u>
Customers' deposits	\$ 21,775	\$ 21,250
Revenue bonds:		
Sinking fund	4,308	4,223
Reserve fund	21,418	18,549
Depreciation & contingency fund	21,418	18,549
Construction fund	<u>2,456</u>	<u>21,700</u>
Total restricted assets	<u>\$ 71,375</u> =====	<u>\$ 84,271</u> =====

(6) Changes in Fixed Assets

A summary of changes in general fixed assets follows:

TOWN OF ZWOLLE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 1999

	<u>BALANCE</u> JUNE 1, 1998	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> MAY 31, 1999
Land	\$ 12,172	\$ 0	\$ 0	\$ 12,172
Buildings	85,260	929	0	86,189
Equipment	96,801	10,242	0	107,043
Autos and trucks	145,558	45,294	12,000	178,852
Coding of ordinances	3,250	0	0	3,250
Recreation equipment	34,860	5,000	0	39,860
<u>Total</u>	\$377,901	\$61,465	\$ 12,000	\$427,366
	=====	=====	=====	=====

A summary of proprietary fund type property, plant and equipment at May 31, 1999 follows:

Building	\$ 5,940
Water system	1,203,589
Sewer system	1,322,619
Water wells and pumps	152,463
Water filter systems	33,252
Water meters and hydrants	21,604
Trucks	15,432
Equipment	26,235
Construction in progress - sewer upgrade	75,459
<u>Total</u>	2,856,593
Less accumulated depreciation	(847,518)
<u>Net</u>	\$2,009,075
	=====

(7) Retirement System

All employees of the Town of Zwolle, including police employees, are covered under the Social Security System. The employees pay 7.65% of their total salaries into the system, while the Town pays in a like amount. The Town contributed \$21,414 to the Social Security System for the year ended May 31, 1999 while the employees contributed a similar amount. The payroll for employees covered by the Social Security System for the year ended May 31, 1999 was \$279,919; the Town's total payroll was \$279,919. Data concerning the actuarial status of this system are unavailable. Future deficits in this system will be financed by the Federal government and the Town has no further liability to the system.

(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 results 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 noncancelable lease terms in excess of one year as of May 31, 1999:

TOWN OF ZWOLLE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 1999

<u>Year ending</u> <u>May 31</u>	<u>Amount</u>
2000	1,500
2001	1,500
2002	1,500
2003	1,500
2004	1,500
Later years	<u>39,125</u>
Total minimum payments required	<u>\$46,625</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.

At May 31, 1999, the Town of Zwolle has cash and investments totaling \$881,140, as follows:

	<u>General</u> <u>Fund</u>	<u>Enterprise</u> <u>Fund</u>	<u>Total</u>
Demand deposits	\$ (4,217)	\$ 2,456	\$ (1,761)
Money market accounts	191,393	190,476	381,869
Savings accounts	832	0	832
Investments	300,000	200,000	500,000
Petty cash	<u>100</u>	<u>100</u>	<u>200</u>
 Total cash and investments	 \$488,108 =====	 \$393,032 =====	 \$881,140 =====

Of the total of \$881,140 deposited in demand and time deposits as of May 31, 1999, \$172,752 was secured through federal depository insurance and \$708,188 was secured by the pledge of securities owned by the depository bank. These securities are held in the name of the pledging bank in a custodial bank that is mutually acceptable to both parties. These secured 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.

(10) Long-term Debt

On October 29, 1991, the Town entered into an agreement with Farmers Home Administration (FmHA) to allow the Town to undertake a water system improvement project at an estimated cost of \$975,000. Funding for the project was provided by FmHA by means of issuance of \$780,000 of revenue bonds (Bonds) and by a \$195,000 grant. On

TOWN OF ZWOLLE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 1999

April 20, 1992, the Town executed a "Project Advance Agreement" with the Louisiana Public Facilities Authority (LPFA) to provide interim financing for the water system improvement project based on the commitment for permanent financing from FmHA. On September 25, 1993 the Bonds were issued and the interim financing with LPFA was repaid. The Bonds bear interest at the rate of five percent (5%) from the date of issuance. Principal and interest on the Bonds are payable over a forty (40) year period, with the first payment consisting of interest only (\$39,000) which was due on the first anniversary of the issuance date (September 25, 1993). Commencing one month after the first anniversary date, and monthly thereafter, payments of principal and interest will be \$3,799 monthly.

The following is a schedule by years of future principal payments under the above Bonds:

<u>Year ending</u> <u>May 31</u>	Principal	Interest	Total
2000	9,856	35,727	45,583
2001	10,356	35,227	45,583
2002	10,886	34,697	45,583
2003	11,443	34,140	45,583
2004	12,028	33,555	45,583
Later years	<u>680,446</u>	<u>526,874</u>	<u>1,207,320</u>
Total	\$721,039 =====	\$751,034 =====	\$1,472,073 =====

Under the terms of the bond agreement with FmHA, all income and revenues earned or derived from operations of the utility fund are pledged and dedicated to the retirement of the Bonds, and are to be used for the following expressed purposes:

(a) Payment of all reasonable expenses of operation and maintenance of the system.

(b) Each month there will be set aside into a fund called the "Water Revenue Bond and Interest Sinking Fund" (the "Sinking Fund"), a sum equal to one-twelfth (1/12th) the interest falling due on the next interest payment date during the first year the Bonds are outstanding and, thereafter, a sum equal to the total amount of principal and interest falling due on the next principal and interest payment date together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due. Monthly deposits of \$3,250 are required through September 25, 1993, and \$3,799 monthly thereafter. The balance required at May 31, 1999 is \$3,799. The present balance is \$4,308.

(c) There will be set aside monthly into a "Water Revenue Bond Reserve Fund" (the "Reserve Fund"), commencing with the month following completion of and acceptance of the improvements and extensions financed with the proceeds of the Bonds, a sum at least equal to five percent (5%) of the amount to be paid into the Sinking Fund provided for in paragraph (b) above, the payments into the Reserve Fund to continue until such time as there has been accumulated in the Reserve Fund a sum equal to the highest combined principal and interest falling due in any year on the Bonds as a Debt Service Reserve, the money in the Reserve

TOWN OF ZWOLLE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 1999

Fund to be retained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default. Monthly deposits of \$163 are required through September 25, 1993 and \$190 monthly thereafter until the balance reaches \$45,583. The balance required at May 31, 1999 is \$14,552. The present balance is \$21,418.

(d) There will be set aside monthly into a "Water Depreciation and Contingency Fund" (the "Contingency Fund") to care for depreciation, extensions, additions, improvements and replacements necessary to operate properly the System, commencing with the month following completion of and acceptance of the improvements and extensions financed with the proceeds of the Bonds, the sum of \$193 per month. The balance required at May 31, 1999 is \$15,440. The present balance is \$21,418.

A portion of retained earnings is reserved to cover these restricted assets for future debt service on the revenue bonds.

(11) Sales and Use Tax

On April 16, 1988, the voters of the Town of Zwolle 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. Sales taxes receivable as of May 31, 1999 amounted to \$18,203.

(12) Deficit in Retained Earnings

The retained earnings deficit in the Utility Fund at May 31, 1999 is due primarily to an unusually high level of repairs during 1995, engineering fees of \$50,960 related to design work on a new wastewater processing plant, which design was subsequently abandoned by the Town, and increased operational costs of the wastewater treatment plant as a result of plant upgrades which became operational in October 1998. In September 1999 the Town increased water and sewer rates, effective December 1, 1999, to return the Utility Fund to profitability and to eliminate the deficit in retained earnings within the next several years.

(13) Contingencies

Department of Environmental Quality

On June 28, 1991, the Louisiana Department of Environmental Quality (DEQ) issued a "Compliance Order" which alleges the Town violated La. R.S. 30:2076(A)(1)(a) by allowing the discharge of inadequately treated waste water. The "Compliance Order" specified certain interim effluent limitations and monitoring and reporting requirements until December 31, 1992 and effluent limitations and monitoring and reporting requirements to be followed after January 1, 1993. The order also requires certain reports to be submitted to DEQ. Should the Town fail to comply with this "Compliance Order", the Town could be assessed civil penalties in an amount not to exceed \$50,000. The Town is presently attempting to comply with this order and no civil penalties have been assessed. On May 12, 1993 the Town requested an extension of time from DEQ to meet the effluent limitations. On July 19, 1996 the Town received a Water Discharge Permit from DEQ with a requirement that construction of the wastewater

TOWN OF ZWOLLE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 1999

upgrade project be completed by October 1, 1997. On December 22, 1997 the Town awarded a construction contract in the amount of \$434,000 for sewer plant improvements which will allow the Town of meet DEQ requirements. Funding for this project is coming from the Louisiana Capital Outlay Budget. This project was completed in October 1998.

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 State for expenditures disallowed, if any, under the terms and conditions of the appropriate agency.

Engineering fees

The Town has been billed by Nowlin & Associates for engineering fees in the amount of \$23,572 in connection with a completed water improvement project. These fees were subject to potential litigation, however the Town settled this matter in November 1998 for \$19,000 and this amount has been added to the water improvement project costs.

The Town has been billed by Balar Associates, Inc. for engineering fees in the amount of \$59,060 related to the design of a new wastewater treatment plant, which design has subsequently been abandoned by the Town. The amount and payment of these fees have been in dispute, and Balar Associates, Inc. filed suit against the Town on October 18, 1995 to recover the billed fees. The Town has recorded an expense of \$50,960 relating to this contract, however the Town plans to contest this suit.

Year 2000

The Town has estimated that approximately \$5,000 will have to be expended to become year 2000 compliant. The Town does not expect any interruption of critical services.

(14) Pending Litigation

In addition to the legal proceeding discussed in Note 13, the Town is a party to other 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 (other than as discussed in Note 13) is included in the financial statements.

(15) Reclassifications

Certain reclassifications of 1998 amounts in the financial statements have been made for comparability purposes.

FINANCIAL STATEMENTS  
OF INDIVIDUAL FUNDS  
AND ACCOUNT GROUPS

\* \* \* \* \*

GENERAL FUND

To account for resources traditionally associated with governments which  
are not required to be accounted for in another fund.



TOWN OF ZWOLLE, LOUISIANA  
GENERAL FUND  
BALANCE SHEET  
MAY 31, 1999 AND 1998

ASSETS	1999	1998
Cash and cash equivalents	\$188,108	\$360,089
Investments	300,000	0
Receivables	20,480	20,177
Due from Water and Sewer Fund	86,332	214,593
Due from State of Louisiana	3,962	4,363
Prepaid insurance	10,989	4,214
 Total assets	 <u>\$609,871</u>	 <u>\$603,436</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$8,446	\$5,094
Payroll taxes withheld and payable	3,571	2,974
Accrued wages payable	9,785	8,254
Unearned revenue	0	300
 Total liabilities	 <u>21,802</u>	 <u>16,622</u>
 Fund Balance:		
Fund balance - undesignated	<u>588,069</u>	<u>586,814</u>
 Total fund balance	 <u>588,069</u>	 <u>586,814</u>
 Total liabilities and fund balance	 <u>\$609,871</u>	 <u>\$603,436</u>

The accompanying notes are an integral part of these statements.

TOWN OF ZWOLLE, LOUISIANA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET (GAAP BASIS) AND ACTUAL  
YEAR ENDED MAY 31, 1999  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MAY 31, 1998

	1999		1998
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE) ACTUAL
Revenues:			
Taxes:			
Ad valorem taxes	\$40,000	\$43,270	\$3,270
Franchise taxes	37,000	44,672	7,672
Sales taxes	209,000	259,515	50,515
Total taxes	286,000	347,457	61,457
Licenses and permits:			
Occupational licenses	62,000	65,270	3,270
Beer licenses	2,000	1,789	(211)
Total licenses and permits	64,000	67,059	3,059
Intergovernmental:			
Beer tax	6,800	8,192	1,392
Tobacco tax	9,200	9,255	55
Video poker	2,000	1,820	(180)
Federal and state grants	0	0	0
Payment in lieu of tax - Sabine Parish Housing Authority	3,600	5,174	1,574
Total intergovernmental revenue	21,600	24,441	2,841
Charges for services:			
Garbage and trash charges	42,500	41,129	(1,371)
Total charges for services	42,500	41,129	(1,371)
Fines and Forfeits:			
Fines	24,000	26,476	2,476
Total fines and forfeits	24,000	26,476	2,476
Miscellaneous revenues:			
Interest income	10,000	14,205	4,205
Other	8,700	14,885	6,185
Total miscellaneous revenues	18,700	29,090	10,390
Total revenues	456,800	535,652	78,852

The accompanying notes are an integral part of these statements.

TOWN OF ZWOLLE, LOUISIANA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET (GAAP BASIS) AND ACTUAL  
YEAR ENDED MAY 31, 1999  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MAY 31, 1998

	1999		1998	
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
Expenditures:				
Current:				
General government:				
Salaries - Administrative	\$0	\$0	\$0	\$0
Salaries - Mayor & Alderman	27,000	27,385	385	22,500
Salaries - office	15,000	21,092	6,092	14,159
Legal & accounting	2,000	2,798	798	3,301
Payroll taxes	3,213	3,708	495	3,016
Unemployment benefits	0	0	0	7
Office supplies & printing	6,300	8,328	2,028	5,733
Insurance	14,350	9,943	(4,407)	8,183
Court costs	0	0	0	0
Depot maintenance	400	262	138	8
Audit	3,450	3,450	0	3,450
Dues and subscriptions	600	875	(275)	377
Advertising	3,000	2,413	587	1,080
Supplies	5,500	4,448	1,052	4,528
Utilities and telephone	11,520	13,396	(1,876)	11,342
Collection fee	3,900	4,566	(666)	4,940
Repairs & maintenance	1,250	3,002	(1,752)	1,482
Travel & seminars	6,000	5,844	156	5,273
Miscellaneous	2,100	6,019	(3,919)	10,207
Fiesta expense	2,000	1,493	507	1,650
Capital outlay	3,000	6,059	(3,059)	5,686
<b>Total general government</b>	<b>110,583</b>	<b>125,081</b>	<b>(14,498)</b>	<b>106,922</b>
Public safety:				
Police department:				
Salaries	121,000	118,132	2,868	120,142
Training	1,200	1,240	(40)	1,071
Jail expense	0	2,565	(2,565)	0
Police car expense	17,500	21,010	(3,510)	17,665
Insurance	15,650	18,815	(3,165)	14,767
Miscellaneous	5,900	2,720	3,180	3,248
Supplies	3,000	4,889	(1,889)	2,246
Payroll taxes	9,257	9,037	220	9,191
Telephone	1,200	1,090	110	896
Uniform maintenance	1,500	1,984	(484)	2,090
Capital outlay	22,000	25,539	(3,539)	1,835
<b>Total police department</b>	<b>198,207</b>	<b>207,021</b>	<b>(8,814)</b>	<b>173,151</b>

The accompanying notes are an integral part of these statements.

TOWN OF ZWOLLE, LOUISIANA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET (GAAP BASIS) AND ACTUAL  
YEAR ENDED MAY 31, 1999  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MAY 31, 1998

	1999		1998
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE) ACTUAL
Expenditures: (continued)			
Fire department	\$0	\$3,022	(\$3,022) \$506
Highways and streets:			
Salaries	40,000	28,916	11,084 39,521
Payroll taxes	3,060	2,212	848 3,023
Repairs & maintenance	105,500	51,120	54,380 2,678
Supplies & materials	12,000	3,504	8,496 20,171
Miscellaneous	650	1,633	(983) 1,368
Street signs	1,200	0	1,200 0
Street lighting	20,000	18,480	1,520 18,007
Street truck & tractor expense	4,500	9,506	(5,006) 4,414
Insurance	5,400	8,608	(3,208) 7,429
Capital outlay	20,000	21,924	(1,924) 10,015
Total highways and streets	212,310	145,903	66,407 106,626
Health and sanitation:			
Salaries	32,000	29,243	2,757 31,464
Payroll taxes	2,448	2,237	211 2,407
Garbage truck expense	4,400	2,980	1,420 1,773
Miscellaneous	700	637	63 571
Insurance	6,350	10,397	(4,047) 10,354
Supplies	400	434	(34) 212
Capital outlay	0	0	0 0
Total health and sanitation	46,298	45,928	370 46,781
Recreation:			
Repair & maintenance	700	146	554 159
Miscellaneous	145	2,251	(2,106) 285
Capital outlay	5,000	5,000	0 0
Utilities	200	45	155 0
Total recreation	6,045	7,442	(1,397) 444
Total expenditures	573,443	534,397	39,046 434,430
Excess (deficiency) of revenues over (under) expenditures	(116,643)	1,255	117,898 49,255
Fund balance, beginning of year	586,814	586,814	0 537,559
Fund balance, end of year	\$470,171	\$588,069	\$117,898 \$586,814

The accompanying notes are an integral part of these statements.

ENTERPRISE FUND

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

TOWN OF ZWOLLE, LOUISIANA  
ENTERPRISE FUND - WATER AND SEWER FUND  
COMPARATIVE BALANCE SHEET  
MAY 31, 1999 AND 1998

ASSETS	1999	1998
Current assets:		
Cash and cash equivalents	\$121,578	\$453,464
Investments, at cost	200,000	0
Accounts receivable, net of allowance for doubtful accounts of \$3,207 in 1999 and \$2,853 in 1998	22,545	29,511
Due from state of Louisiana	43,015	0
Prepaid expenses	125	0
Total current assets	<u>387,263</u>	<u>482,975</u>
Restricted assets:		
Cash and cash equivalents		
Customers' deposits	21,775	21,250
Revenue bonds:		
Sinking fund	4,308	4,223
Reserve fund	21,418	18,549
Depreciation & contingency fund	21,418	18,549
Construction fund	2,456	21,700
Total restricted assets	<u>71,375</u>	<u>84,271</u>
Land	1,560	1,560
Plant and equipment, at cost, net of accumulated depreciation of \$847,518 in 1999 and \$779,923 in 1998	<u>2,009,075</u>	<u>1,533,968</u>
Total assets	<u>\$2,469,273</u>	<u>\$2,102,774</u>

The accompanying notes are an integral part of these statements.

TOWN OF ZWOLLE, LOUISIANA  
ENTERPRISE FUND - WATER AND SEWER FUND  
COMPARATIVE BALANCE SHEET  
MAY 31, 1999 AND 1998

LIABILITIES AND FUND EQUITY	1999	1998
Liabilities:		
Current liabilities (payable from current assets):		
Accounts payable	\$102,807	\$63,758
Sales taxes payable	404	389
Due to General Fund	86,332	214,593
Total current liabilities (payable from current assets)	189,543	278,740
Current liabilities (payable from restricted assets):		
Customers' meter deposits	21,775	21,250
Accounts payable	0	19,000
Water revenue bonds	9,856	9,253
Interest payable	2,766	1,802
Total current liabilities (payable from restricted assets)	34,397	51,305
Long-term liabilities:		
Water revenue bonds	711,183	721,555
Total liabilities	935,123	1,051,600
Fund equity:		
Contributed capital-		
Municipality	133,944	133,944
Federal Revenue Sharing	62,540	62,540
HUD block grant	72,272	72,272
FHA grant	195,000	195,000
Louisiana sewer grant	500,000	39,943
LDUCA CDB grant	636,208	560,751
Total contributed capital	1,599,964	1,064,450
Retained earnings (deficit):		
Reserved for revenue bonds-		
Sinking fund	4,308	4,223
Reserve fund	21,418	18,549
Depreciation & contingency fund	21,418	18,549
Construction fund	2,456	2,700
Unreserved (deficit)	(115,414)	(57,297)
Total retained earnings (deficit)	(65,814)	(13,276)
Total fund equity	1,534,150	1,051,174
Total liabilities and fund equity	\$2,469,273	\$2,102,774

The accompanying notes are an integral part of these statements.

TOWN OF ZWOLLE, LOUISIANA  
 COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -  
 WATER AND SEWER FUND - BUDGET (GAAP BASIS) AND ACTUAL  
 YEARS ENDED MAY 31, 1999 AND 1998

	1999		VARIANCE FAVORABLE (UNFAVORABLE)	1998
	BUDGET	ACTUAL		ACTUAL
Operating revenues:				
Water charges	\$170,000	\$168,856	(\$1,144)	\$169,714
Sewer charges	53,000	51,980	(1,020)	51,443
Tap, connect and reconnect fees	12,950	16,468	3,518	13,799
Total operating revenues	<u>235,950</u>	<u>237,304</u>	<u>1,354</u>	<u>234,956</u>
Operating expenses:				
Water Department:				
Audit fee	1,750	1,725	25	1,725
Bad debt expense	50	354	(304)	(110)
Depreciation	37,000	37,003	(3)	37,856
Insurance	9,450	5,999	3,451	5,888
Miscellaneous	900	7,438	(6,538)	1,347
Office supplies & postage	4,100	2,533	1,567	2,660
Payroll taxes	2,678	3,318	(640)	2,934
Rent	1,550	2,681	(1,131)	1,751
Repairs and maintenance	22,770	15,974	6,796	11,639
Salaries	35,000	43,368	(8,368)	33,850
Supplies	28,000	18,047	9,953	10,674
Telephone	1,054	681	373	1,288
Travel	1,500	300	1,200	532
Truck expense	4,000	1,728	2,272	2,417
Utilities	19,000	18,523	477	20,360
Total water department expenses	<u>168,802</u>	<u>159,672</u>	<u>9,130</u>	<u>134,811</u>
Sewer Department:				
Chemicals	6,000	2,673	3,327	1,259
Audit fee	1,700	1,725	(25)	1,725
Consultant fees	0	0	0	0
Depreciation	23,000	30,592	(7,592)	23,491
Insurance	1,400	2,532	(1,132)	2,192
Miscellaneous	844	1,566	(722)	1,575
Office supplies	50	0	50	337
Payroll taxes	842	901	(59)	895
Repairs and maintenance	12,000	12,497	(497)	17,368
Salaries	11,000	11,783	(783)	10,393
Sewer testing	3,500	4,185	(685)	4,260
Supplies	3,000	5,397	(2,397)	5,025
Travel	2,500	0	2,500	20
Truck expenses	0	797	(797)	1,060
Utilities	33,000	34,536	(1,536)	3,776
Total sewer department expenses	<u>98,836</u>	<u>109,184</u>	<u>(10,348)</u>	<u>73,376</u>
Total operating expenses	<u>267,638</u>	<u>268,856</u>	<u>(1,218)</u>	<u>208,187</u>
Operating income (loss)	<u>(31,688)</u>	<u>(31,552)</u>	<u>136</u>	<u>26,769</u>
Nonoperating revenues (expenses):				
Interest income	11,000	15,809	4,809	13,937
Interest expense	(37,256)	(36,795)	461	(37,091)
	<u>(26,256)</u>	<u>(20,986)</u>	<u>5,270</u>	<u>(23,154)</u>
Net income (loss)	<u>(57,944)</u>	<u>(52,538)</u>	<u>5,406</u>	<u>3,615</u>
Retained earnings, beginning of year	<u>(13,276)</u>	<u>(13,276)</u>	<u>0</u>	<u>(16,891)</u>
Retained earnings (deficit), end of year	<u>(\$71,220)</u>	<u>(\$65,814)</u>	<u>\$5,406</u>	<u>(\$13,276)</u>

The accompanying notes are an integral part of these statements.



GENERAL FIXED ASSETS ACCOUNT GROUP

To account for fixed assets not used in proprietary fund operations.

TOWN OF ZWOLLE, LOUISIANA  
 COMPARATIVE STATEMENT OF GENERAL FIXED ASSETS  
 MAY 31, 1999 AND 1998

	1999	1998
General fixed assets, at cost:		
Land	\$12,172	\$12,172
Buildings	86,189	85,260
Equipment	107,043	96,801
Automobiles, trucks and machinery	178,852	145,558
Coding of ordinances	3,250	3,250
Recreation equipment	<u>39,860</u>	<u>34,860</u>
 Total general fixed assets	 <u>\$427,366</u>	 <u>\$377,901</u>
 Investment in general fixed assets:		
General fund revenues	\$271,648	\$222,183
Federal revenue sharing funds	120,215	120,215
Grants	16,774	16,774
Contributions	<u>18,729</u>	<u>18,729</u>
 Total investment in general fixed assets	 <u>\$427,366</u>	 <u>\$377,901</u>

The accompanying notes are an integral part of these statements.

TOWN OF ZWOLLE, LOUISIANA  
 STATEMENT OF CHANGES IN GENERAL FIXED ASSETS  
 YEAR ENDED MAY 31, 1999

	LAND	BUILDINGS	EQUIPMENT	AUTOMOBILES, TRUCKS AND MACHINERY	CODING OF ORDINANCES	RECREATION EQUIPMENT	TOTAL
General fixed assets, June 1, 1998	\$12,172	\$85,260	\$96,801	\$145,558	\$3,250	\$34,860	\$377,901
Additions	0	929	10,242	45,294	0	5,000	61,465
Deductions	0	0	0	(12,000)	0	0	(12,000)
General fixed assets, May 31, 1999	<u>\$12,172</u>	<u>\$86,189</u>	<u>\$107,043</u>	<u>\$178,852</u>	<u>\$3,250</u>	<u>\$39,860</u>	<u>\$427,366</u>

The accompanying notes are an integral part of these statements.

CAPITAL PROJECTS FUND

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The Capital Projects Fund is used to account for financial resources to be used for the construction of major capital facilities.

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TOWN OF ZWOLLE, LOUISIANA  
 CAPITAL PROJECTS FUNDS  
 LCDBG FUND  
 COMPARATIVE BALANCE SHEET  
 MAY 31, 1999 AND 1998

ASSETS	1999	1998
Cash	\$79	\$0
LCDBG grant revenue receivable	0	0
<b>Total assets</b>	<b>\$79</b>	<b>\$0</b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
LCDBG grant contracts payable	\$0	\$0
<b>Total liabilities</b>	<b>0</b>	<b>0</b>
Fund balance - unreserved	79	0
<b>Total liabilities and fund balance</b>	<b>\$79</b>	<b>\$0</b>

The accompanying notes are an integral part of these statements.

TOWN OF ZWOLLE, LOUISIANA  
 CAPITAL PROJECTS FUNDS  
 LCDBG FUND  
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 YEARS ENDED MAY 31, 1999 AND 1998

	1999	1998
Revenues:		
LCDBG grant	\$75,457	\$0
Local contributions	100	0
Total revenues	75,557	0
Expenditures:		
Administration	9,551	0
Acquisition	0	0
Engineering	65,927	0
Construction	0	0
Total expenditures	75,478	0
Excess of revenues over expenditures	79	0
Fund balance, beginning of year	0	0
Fund balance, end of year	\$79	\$0

The accompanying notes are an integral part of these statements.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF ZWOLLE, LOUISIANA  
 SCHEDULE OF PER DIEM PAID THE BOARD OF ALDERMEN  
 YEAR ENDED MAY 31, 1999

P. M. Woods	\$7,385
Allen Rivers	3,000
Charles Miller	1,650
Martha Henderson	3,000
Cloteal Polk	1,650
Carolyn Cutright	3,000
Roger Lopez	5,000
Nell Maxey	1,350
Elzy Anderson	1,350

Supplementary schedule. Presented as additional analytical data.



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Roger Lopez, Mayor  
and Board of Aldermen  
Town of Zwolle, Louisiana

I have audited the general purpose financial statements and the combining, individual fund and account group financial statements of the Town of Zwolle, Louisiana, as of May 31, 1999 for the year then ended, and have issued my report thereon dated November 26, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Zwolle, Louisianas general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 provision was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*:

Existing condition

In February 1999 the Town purchased a police car for \$21,899, however public bids were not obtained. In addition, in June 1999 the Town purchased a used backhoe for \$17,000 without obtaining public bids. In both cases, three quotes were obtained and the lowest quote was accepted, however the amounts involved required that public bids be obtained. Town management indicated that the February purchase without public bids was due to a misunderstanding of the definition of "bids". Town management indicated that the June purchase was made without public bids because they did not understand that the bid law pertained to purchases of used equipment.

Recommended action

Town management should put all purchases in excess of the legal limits out for public bid and follow all the required public bid law provisions.

Managements response

The Town will follow all the provisions of the public bid law on all future purchases.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Zwolle, Louisianas internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing an opinion on the component unit financial statements and not to provide assurance on the internal control over

financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the component unit financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of management, Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



EUGENE W. FREMAUX II, CPA  
November 26, 1999

Honorable Roger Lopez, Mayor  
and Board of Aldermen  
Town of Zwolle, Louisiana

Dear Mayor and Aldermen:

In connection with my audit of the general purpose, combining, individual fund, and account group financial statements of the Town of Zwolle, Louisiana for the year ended May 31, 1999, I offer the following observations and recommendations, which are intended to help improve record keeping procedures and are intended to be constructive in nature:

STATUS OF PRIOR YEAR RECOMMENDATIONS

1. Existing condition

The budget for the year ended May 31, 1998 was not adopted until June 1997. In addition, the budget for the year ending May 31, 1999 was not adopted prior to July 7, 1998. Louisiana budget laws require the budget to be adopted prior to the beginning of the year.

Recommended action

The budget should be prepared and adopted prior to the beginning of the year.

Action taken

The council did adopt a budget for the year ending May 31, 2000 before May 31, 1999.

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The above observations and recommendations are not all inclusive. I would like to thank you, the Board of Aldermen, and the Town employees for your cooperation during my engagement.

Sincerely,



EUGENE W. FREMAUX, CPA

November 26, 1999