

Town of Zwolle

Zwolle, Louisiana

Annual Financial Statements
with Independent Auditor's Report

As of and For the Year Ended
May 31, 2022
with Supplemental Information Schedules

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As of and for the year ended May 31, 2022
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Independent Auditor's Report

Town of Zwolle
Zwolle, Louisiana

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Zwolle, as of and for the year ended May 31, 2022, and the related notes to the financial statements, which collectively comprise the Town of Zwolle's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the accrual basis financial position of the governmental activities, the business-type activities, and each major fund of the Town of Zwolle, as of May 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibility of Management 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 and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Zwolle's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Zwolle's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Zwolle's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head, the Schedule of Compensation Paid Councilpersons, and the Schedule of Justice System Funding are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Compensation, Benefits, and Other Payments to Agency Head, the Schedule of Compensation Paid Councilpersons, and the Schedule of Justice System Funding are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits, and Other Payments to Agency Head, the Schedule of Compensation Paid Councilpersons, and the Schedule of Justice System Funding are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2022 on our consideration of the Town of Zwolle'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 the Town of Zwolle's internal control over financial reporting and compliance.

Kenneth D. Folden & Co., CPAs, LLC

Jonesboro, Louisiana
November 30, 2022

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

Town of Zwolle
Zwolle, Louisiana

Statement of Net Position
As of May 31, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and equivalents	\$ 643,047	\$ 188,700	\$ 831,747
Investments	332,778	268,468	601,246
Accounts receivable	109,372	108,710	218,082
Prepaid expenses	30,713	-	30,713
Due from other funds	1,061,465	-	1,061,465
Cash and equivalents - restricted	-	168,190	168,190
Capital assets (net of accumulated depreciation)	1,956,218	4,427,564	6,383,782
Total Assets	<u>4,133,593</u>	<u>5,161,632</u>	<u>9,295,225</u>
Deferred Outflows of Resources			
Pension	144,444	19,623	164,067
Total Deferred Outflows of Resources	<u>144,444</u>	<u>19,623</u>	<u>164,067</u>
Liabilities			
Accounts payable	30,854	5,769	36,623
Payroll liabilities	10,344	-	10,344
Due to other funds	-	1,061,465	1,061,465
Customer meter deposits	-	55,889	55,889
Long-term liabilities - current	-	23,000	23,000
Long-term liabilities - noncurrent	144,471	409,863	554,334
Total Liabilities	<u>185,669</u>	<u>1,555,986</u>	<u>1,741,655</u>
Deferred Inflows of Resources			
Pension	105,245	13,973	119,218
Total Deferred Inflows of Resources	<u>105,245</u>	<u>13,973</u>	<u>119,218</u>
Net Position			
Net investment in capital assets	1,956,218	4,039,564	5,995,782
Restricted	-	159,361	159,361
Unrestricted	2,030,904	(587,629)	1,443,275
Total Net Position	<u>\$ 3,987,122</u>	<u>\$ 3,611,296</u>	<u>\$ 7,598,418</u>

The accompanying notes are an integral part of these financial statements.

Town of Zwolle
Zwolle, Louisiana

Statement of Activities
For the Year Ended May 31, 2022

Expenses	Major Funds			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<u>Functions/Programs</u>						
Primary government						
Governmental activities						
General government	\$ 405,238	\$ -	\$ 359,902	\$ -	\$ -	\$ (45,336)
Police	654,985	108,773	-	-	-	(546,212)
Sanitation	86,903	74,823	-	-	-	(12,080)
Highways and streets	301,935	-	-	-	-	(301,935)
Community development	47,687	-	65,754	-	-	18,067
Total governmental activities	<u>1,496,748</u>	<u>183,596</u>	<u>425,656</u>	<u>(887,496)</u>	<u>-</u>	<u>(887,496)</u>
Business-type activities						
Water and sewer	666,023	320,889	-	112,452	-	(232,682)
Total primary government	<u>\$ 2,162,771</u>	<u>\$ 504,485</u>	<u>\$ 425,656</u>	<u>\$ 112,452</u>	<u>(887,496)</u>	<u>(232,682)</u>
<u>General Revenues</u>						
Taxes:						
Property taxes, levied for general purposes				71,597	-	71,597
Sales taxes				800,496	-	800,496
Franchise taxes				86,892	-	86,892
Other taxes				4,544	-	4,544
Licenses				89,447	-	89,447
Intergovernmental				45,342	-	45,342
Investment earnings				1,146	1,779	2,925
Rental income				14,915	-	14,915
Other revenue				32,620	1,935	34,555
Operating transfers				-	-	-
Total general revenues and transfers				<u>1,146,999</u>	<u>3,714</u>	<u>1,150,713</u>
Change in net position				259,503	(228,968)	30,535
Net position - May 31, 2021				3,727,620	3,840,263	7,567,883
Net position - May 31, 2022				<u>\$ 3,987,123</u>	<u>\$ 3,611,295</u>	<u>\$ 7,598,418</u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

Town of Zwolle
Zwolle, Louisiana

Balance Sheet - Governmental Funds
As of May 31, 2022

		Governmental Funds
Assets		
Cash and equivalents	\$	643,047
Investments		332,778
Accounts receivable		109,372
Prepaid expenses		30,713
Due from other funds		1,061,465
Total Assets	\$	<u>2,177,375</u>
Liabilities & Fund Balances		
Liabilities:		
Accounts payable	\$	30,854
Payroll liabilities		10,344
Total Liabilities		<u>41,198</u>
Fund balances:		
Unassigned, reported in:		
General fund		2,136,176
Total Fund Balances		<u>2,136,176</u>
Total Liabilities and Fund Balances	\$	<u>2,177,374</u>

The accompanying notes are an integral part of these financial statements.

Town of Zwolle
Zwolle, Louisiana

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
As of May 31, 2022

Total Fund Balances at May 31, 2022 - Governmental Funds (Statement C)	\$	2,136,176
<p>Total Net Position reported for governmental activities in the Statement of Net Position (Statement A) are different because:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds, net of depreciation.		1,956,218
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Net pension liability		(144,471)
Deferred outflows of resources		144,444
Deferred inflows of resources		(105,245)
		(105,245)
Net Position at May 31, 2022	\$	3,987,122

The accompanying notes are an integral part of these financial statements.

Town of Zwolle
Zwolle, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the Year Ended May 31, 2022

		General Fund
Revenues		
Taxes:		
Ad valorem tax	\$	71,597
Franchise tax		86,892
Sales tax		800,496
Other tax		4,544
Licenses and permits		89,447
Operating grant		425,656
Intergovernmental		45,342
Rent, royalty, and commission		14,915
Charges for services		183,596
Miscellaneous		26,447
Total revenues		1,748,932
Expenditures		
Current:		
General government		413,309
Public safety		
Police		682,719
Streets		192,432
Sanitation		86,903
Parks and recreation		22,944
Capital outlay		346,618
Total expenditures		1,744,925
Excess (deficiency) of revenues over (under) expenditures		4,007
Other financing sources (uses)		
Interest earnings		1,146
Operating transfers in		-
Operating transfers out		-
Total other financing sources (uses)		1,146
Net changes in fund balances		5,153
Fund balances - May 31, 2021		2,131,023
Fund balances - May 31, 2022	\$	2,136,176

The accompanying notes are an integral part of these financial statements.

Town of Zwolle
Zwolle, Louisiana

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Funds Balances to the Statement of Activities
For the Year Ended May 31, 2022

Total net change in Fund Balances - Governmental Funds (Statement E)	\$	5,153
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets capitalized over their estimated useful lives as depreciation expense. This is the amount by which capital outlay differs from depreciation for the period.

Depreciation		(170,474)
Capital outlay		346,618
Net pension liability decrease (increase)		<u>78,205</u>
Change in net position of governmental activities (Statement B)	\$	<u><u>259,502</u></u>

The accompanying notes are an integral part of these financial statements.

Town of Zwolle
Zwolle, Louisiana

Statement of Net Position - Proprietary Fund
As of May 31, 2022

		Water & Sewer Fund
Assets		
Current Assets:		
Cash and equivalents	\$	188,700
Investments		268,468
Accounts receivable		108,710
Total Current Assets		565,878
Noncurrent Assets:		
Cash and equivalents - restricted		168,190
Capital assets (net of accumulated depreciation)		4,427,564
Total Noncurrent Assets		4,595,754
Total Assets		5,161,632
Deferred Outflows of Resources		
Pension		19,623
Total Deferred Outflows of Resources		19,623
Liabilities		
Current Liabilities:		
Accounts payable		5,769
Due to other funds		1,061,465
Current portion of long-term debt		23,000
Total Current Liabilities		1,090,234
Noncurrent Liabilities:		
Notes payable		365,000
Net pension liability		44,863
Total Noncurrent Liabilities		409,863
Current liabilities payable from restricted assets		
Customer meter deposits		55,889
Total Liabilities		1,555,986
Deferred Inflows of Resources		
Pension		13,973
Total Deferred Inflows of Resources		13,973
Net Position		
Net investment in capital assets		4,039,564
Restricted		159,361
Unrestricted		(587,629)
Total Net Position	\$	3,611,296

The accompanying notes are an integral part of these financial statements.

Town of Zwolle
Zwolle, Louisiana

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund
For the Year Ended May 31, 2022

	Water & Sewer Fund
Operating Revenues	
Water sales	\$ 175,503
Sewer fees	145,386
Miscellaneous income	1,935
Total operating revenues	322,824
Operating Expenses	
Personnel services	113,913
Supplies	53,552
Utilities	64,693
Repairs and maintenance	127,532
Contractual services	8,511
Miscellaneous	106,061
Depreciation	191,762
Total operating expenses	666,024
Operating Income (Loss)	(343,200)
Non-operating Revenues (Expenses)	
Interest earnings	1,779
Capital grant	112,452
Total non-operating revenues (expenses)	114,231
Change in net position	(228,969)
Total Net Position - May 31, 2021	3,840,263
Total Net Position - May 31, 2022	\$ 3,611,294

The accompanying notes are an integral part of these financial statements.

Town of Zwolle
Zwolle, Louisiana

Statement of Cash Flows - Proprietary Fund
For the Year Ended May 31, 2022

	Water & Sewer Fund
Cash flows from operating activities	
Cash received from customers	320,889
Cash payments to suppliers for goods and services	(379,412)
Cash payments to employees	(113,913)
Net cash provided by (used for) operating activities	(172,436)
Cash flows from non-capital financing	
Increase (decrease) in due to General Fund	(185,664)
Other revenue	10,917
Net cash provided by (used for) non-capital financing activities	(174,747)
Cash flows from capital and related financing activities	
Debt payment	(22,000)
Interest paid	(1,062)
Acquisition of capital assets	(166,428)
Capital grant	112,452
Net cash provided by (used for) capital and related financing activities	(77,038)
Cash flows from investing activities	
Interest earnings	1,779
Net cash provided by (used for) investing activities	1,779
Net increase (decrease) in cash and cash equivalents	(422,442)
Cash and cash equivalents - May 31, 2021	779,332
Cash and cash equivalents - May 31, 2022	\$ 356,890
Reconciliation of operating income to net provided by operating activities	
Operating income	\$ (343,199)
Adjustments	
Depreciation	191,762
Net changes in assets and liabilities	
Accounts receivable	(12,061)
Prepaid expenses	125
Customers' security deposits	4,008
Accounts payable	(888)
Current increase (decrease) in pension liability	(12,183)
Net cash provided for (used for) operating activities	\$ (172,436)

The accompanying notes are an integral part of these financial statements.

**NOTES TO THE
FINANCIAL STATEMENTS**

Town of Zwolle
Zwolle, Louisiana

Notes to the Financial Statements
As of and for the year ended May 31, 2022

INTRODUCTION

The Town of Zwolle, Louisiana 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town applies all relevant GASB pronouncements, as applicable to governmental entities. Also, the Town's financial statements are prepared in accordance with the requirements of Louisiana R.S. 24:513, the Louisiana Municipal Audit and Accounting Guide and to the industry guide, Audits of State and Local Government Units, published by the American Institute of Certified Public Accountants.

B. Reporting Entity

GASB Statement No. 14, The Financial Reporting Entity, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Town is considered a primary government, since it is a general purpose local government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, establishes criteria for determining which, if any, component units should be considered part of the Town for financial reporting purposes. GASB Statement No. 61 provides additional criteria for classifying entities as component units. The basic criterion for including a potential component unit within the reporting entity is financial accountability, which includes:

1. Appointing a voting majority of an organization's governing body, and:
 - i. The ability of the government to impose its will on that organization and/or
 - ii. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the government.
2. Organizations for which the government does not appoint a voting majority but are fiscally dependent on the government and there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Town of Zwolle
Zwolle, Louisiana

Notes to the Financial Statements
As of and for the year ended May 31, 2022

Based on the above criteria, no component units were identified for the Town of Zwolle.

C. Government-Wide Financial Statements

The Town's government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements present summaries of the governmental activities and the business-type activities for the Town. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town of Zwolle's governmental activities.

Program Revenues - Program revenues included in the Statement of Activities (Statement B) are derived directly from parties outside the Town's taxpayers or citizenry, including (a) fees and charges paid by the recipient for goods or services offered by the program, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; program revenues reduce the cost of the function to be financed from the Town's general revenues.

Direct Expenses - The Town reports all direct expenses by function in the Statement of Activities (Statement B). Direct expenses are those that are clearly identifiable with a function. Depreciation expense, which can be specifically identified by function, is included in the direct expenses of each function.

Indirect Expenses - The Town reports all indirect expenses separately on the Statement of Activities (Statement B). Indirect expenses are those expenses that are not clearly identifiable with a function. Interest on long-term debt is considered an indirect expense.

General revenues are taxes and other items that are not properly included among program revenues. The effect of interfund activity has been removed from the government-wide financial statements.

Town of Zwolle
Zwolle, Louisiana

Notes to the Financial Statements
As of and for the year ended May 31, 2022

D. Fund Financial Statements

The accounts of the Town of Zwolle 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, expenditures or expenses, as appropriate, additions, and deductions. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements. Funds of the Town are classified into two categories: governmental and proprietary.

Governmental Funds

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The Town has presented all major funds.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the Balance Sheets. Amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. Long-term debts are reported as an other financing source, and repayment of long-term debt is reported as an expenditure. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon thereafter to pay liabilities of the current period. Accordingly, revenues are recorded when received in cash and when collected within 60 days after year-end. Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized when due.

The Town of Zwolle reports the following major governmental funds:

General Fund - The primary operating fund of the Town, the General Fund, accounts for all financial resources, except those required to be accounted for in other funds. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to Town policy.

Revenues

The governmental funds use the following practices in recording revenues:

Those revenues susceptible to accrual are property taxes, franchise taxes, and charges for services. Fines and permit and license revenues are not susceptible to accrual because generally they are not measurable until received in cash.

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Entitlements and shared revenues are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Expenditure-driven grants are recognized when the qualifying expenditures have been incurred, all other grant requirements have been met, and the susceptible-to-accrual criteria have been met.

Interest earnings are recorded when the investments have matured and the interest is available.

Expenditures

The governmental funds use the following practices in recording expenditures:

Salaries are recorded as expenditures when earned by employees.

Purchases of various operating supplies, etc. are recorded as expenditures when the related fund liability is incurred.

Compensated absences are recognized as expenditures when leave is actually taken or when employees, or their heirs, are paid for accrued leave upon retirement or death.

Principal and interest on long-term debt are recognized when due.

Other Financing Sources (Uses)

The governmental funds use the following practices in recording other financing sources (uses):

Transfers between funds that are not expected to be repaid, sales of fixed assets, and long-term debt proceeds and payments, are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Proprietary Funds

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 (net total position) is segregated into three components-net investment in capital assets, restricted net position, and unrestricted net position. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total position. The proprietary funds use the accrual basis of accounting, where revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of the related cash flows.

The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed through user charges: or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

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The Enterprise Fund of the Town of Zwolle is the Water and Sewer Fund, which accounts for the operations of the waterworks and sewerage systems. The intent of the Town for these facilities is (a) that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) that 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.

Revenues and Expenses

Operating revenues in the proprietary fund are those that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

E. Equity Classifications

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

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

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

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

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

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

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

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town did not have any nonspendable funds for the year ended May 31, 2022.

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Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Town did not have any restricted funds for the year ended May 31, 2022.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Aldermen. These amounts cannot be used for any other purpose unless the Board of Aldermen removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board typically establishes commitments through the adoption and amendment of the budget. The Town did not have any committed funds for the year ended May 31, 2022.

Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Aldermen or through the Board delegating this responsibility to a body or official (Mayor) for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The Town has no assigned funds for year ended May 31, 2022.

Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts. The Town has \$2,136,176 of unassigned funds in the General Fund.

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

F. Budgets

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.

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Notes to the Financial Statements
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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.

The 2021-2022 general fund budget was published in the official journal and made available for public inspection. A public hearing for the proposed budget was held on May 25, 2021, and the budget was adopted by the Mayor and Board of Aldermen. The 2021-2022 general fund amended budget was published in the official journal and made available for public inspection. A public hearing for the proposed amended budget was held on May 12, 2022, and the amended budget was adopted by the Mayor and Board of Aldermen.

G. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town of Zwolle may deposit funds in demand deposits in stock-owned federally insured depository institutions organized under the laws of the state of Louisiana or of any other state of the United States, or under the laws of the United States. The Town may invest in certificates and time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

For the purposes of the statement of cash flows, cash equivalents include all highly liquid investments with a maturity date of 90 days or less when purchased.

Under state law, the Town may invest in United States bonds, treasury notes, or certificates. Those with maturities of 90 days or less would be classified as cash equivalents and all other reported as investments.

The Town reports restricted assets on the Statement of Net Position (Statement A), which includes restricted cash (customer deposits) that is collected by the Water and Sewer Department.

H. Investments

The Town of Zwolle's investments comply with Louisiana Revised Statute 33:2955. Under state law, the Town may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Town may invest in United States bonds, treasury notes and bills, or government-backed agency securities or certificates, and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. These deposits are classified as investments if their original maturities exceed 90 days. Investments are stated at fair value except for those which are permitted under GASB Statement No. 31 to use a different valuation measurement.

In accordance with paragraph 69 of GASB Statement No. 72, the Town reports at amortized cost money market investments and participating interest-bearing investment contracts that have a remaining maturity at the time of purchase of one year or less. Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

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I. Interfund Receivables and Payables

Activity between funds that is representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" on the fund financial statements balance sheets, as well as all other outstanding balances between funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

J. Inventories and Prepaid Items

Inventories of supplies in the Proprietary Fund are not material and are charged to operations as purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are recorded in the applicable governmental or business-type activities columns of the government-wide financial statements, but are not reported in the governmental fund financial statements. Acquisitions of property and equipment are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. As of June 1, 2004, the Town implemented a policy of capitalizing all infrastructure assets with a cost of \$20,000 or more. All other assets are capitalized based on thresholds of \$5,000 to \$25,000, depending on asset classification, except land and construction in progress which are capitalized at cost.

Improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the Statement of Activities.

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Depreciation is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. The estimated useful life for classes of assets are as follows:

Description	Estimated Lives
Water and sewer systems	5-50 years
Water wells and pumps	5-25 years
Water filter systems	5-7 years
Water meter and hydrants	10 years
Equipment	5-10 years
Trucks	5 years

In accordance with GASB Statement No. 34, general infrastructure capital assets consisting of streets, bridges, sidewalks, and drainage systems acquired before July 1, 2003, are excluded from capital assets.

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L. Deferred Outflows of Resources

The Town reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The Town reported \$164,067 of deferred outflows of resources.

M. 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.

N. Deferred Inflows of Resources

The Town reports increases in net position that relate to future periods as deferred inflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The Town will not recognize the related revenues until a future event occurs. The Town reported \$119,218 of deferred inflows of resources.

O. Interfund Transactions

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements are when a fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or enterprise funds are netted as part of the reconciliation to the government-wide financial statements.

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without the expectation of repayment, the transaction is reported as a transfer and is treated as a source of income by the recipient fund and as an expenditure by the providing fund.

Activity between funds that is representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other funds" or "due to other funds" on the Fund Financial Statements Balance Sheet (Statement C), as well as all other outstanding balances between funds.

In the process of aggregating data for the Statement of Net Position (Statement A) and the Statement of Activities (Statement B), some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

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Notes to the Financial Statements
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P. 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 Tax

All ad valorem tax receivables are shown net of an allowance for uncollectible accounts. Uncollectible amounts due for ad valorem taxes are recognized as bad debts through the establishment of an allowance account. Ad valorem taxes are levied on a calendar year basis and become delinquent on December 31. The Town bills and collects its own ad valorem taxes. For the 2021 ad valorem taxes, one rate of tax was levied on property within the corporate limits, as follows:

General corporate purposes - 6.330 mills on an assessed value of \$11,310,749

This millage was approved by the Board of Aldermen on August 12, 2021. This millage is the maximum millage that can be assessed without the approval of the voters of the Town.

The Town is subject to several tax abatement agreements entered into by other governments that reduce the ad valorem tax revenues of the Town. These abatements are based on undepreciated values of various contracts as reported by Louisiana Economic Development. Property subject to abatement is located in the Town and the total undepreciated property subject to the contracts in effect during the year totaled \$13,840,637. The estimated amount of ad valorem taxes abated through indirect agreements is \$13,142.

3. Sales 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. In addition, effective October 1, 2005, the voters of the Town approved an additional 1% sales and use tax which was renewed in 2019.

4. Cash, Cash Equivalents, and Investments

At May 31, 2022, the Town had cash and cash equivalents (book balances) totaling \$896,465, including \$600 cash on hand. An amount of \$64,718 was restricted cash and cash equivalents. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

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At May 31, 2022, the Town had funds (book balances) totaling \$343,861 on deposit at LAMP. The Town maintains accounts in the Louisiana Asset Management Pool (LAMP). LAMP was established and is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana. LAMP accepts deposits from public entities. Upon making an investment, a public entity becomes a member of LAMP, Inc., similar to a corporate shareholder, and maintains certain rights with respect to the governance of the corporation.

At May 31, 2022, the Town had \$952,712, in deposits (collected bank balances). These deposits are secured from risk by \$286,704 in federal deposit insurance and \$666,008 in pledged securities. Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement No. 40, Louisiana Revised Statute 30:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand. Louisiana R.S. 39:1224 requires bonds, or other such instruments furnished as security, to be deposited with the depositing authority or with an unaffiliated bank or trust company, Federal Reserve Bank, or any Federal Home Loan Bank or its successor. This security is deemed to be under the control and in the possession of the public entity and deemed to be held in its name. The Town of Zwolle has complied with these requirements of state law.

Cash and investments are categorized to give an indication of the level of risk assumed by the Town at May 31, 2022. Deposits are considered to be exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the the pledging financial institution's trust department or agent but not in the depositor-government's name. The Town of Zwolle has cash and cash equivalents that are covered by \$286,704 of federal depository insurance.

The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality vehicles for investment. The LAMP portfolio includes only securities and obligations in which local governments in Louisiana are authorized to invest. LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, U.S. government, or one of its agencies. The dollar weighted average portfolio of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their balances.

At May 31, 2022, the Town had investments of \$360,856. These deposits are secured from risk by \$582,075 in pledged securities.

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Notes to the Financial Statements
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5. Receivables

The receivables of \$218,082 at May 31, 2022, are as follows:

	Fund		Total
	General	Enterprise	
Taxes:			
Sales and use	\$ 47,312	\$	\$ 47,312
Other	1,271	-	1,271
Franchise fees	19,404	-	19,404
Other revenues	41,385	-	41,385
Accounts	-	139,046	139,046
Allowance for uncollectible accounts	-	(30,336)	(30,336)
Total	<u>\$ 109,372</u>	<u>\$ 108,710</u>	<u>\$ 218,082</u>

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance at the time information becomes available which would indicate the uncollectibility of the receivable. On May 31, 2022, the reserve for uncollectible amounts was \$30,336.

6. Prepaid Items

Prepaid items at May 31, 2022 consist of prepaid insurance premiums in the General Fund of \$30,713.

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Notes to the Financial Statements
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7. Capital Assets

A summary of changes in capital assets for the year ended May 31, 2022, is as follows:

A. Capital Assets - Governmental Activities

	Balance, June 01, 2021	Additions	Deletions	Balance, May 31, 2022
Capital assets not depreciated				
Land	\$ 151,991	\$	\$	\$ 151,991
Total capital assets not being depreciated	<u>151,991</u>	-	-	<u>151,991</u>
Capital assets being depreciated				
Buildings and improvements	1,002,859	112,512	-	1,115,371
Equipment	208,246	10,999	-	219,245
Infrastructure - Streets	1,997,755	104,880	-	2,102,635
Vehicles	175,269	118,227	-	293,496
Total capital assets being depreciated	<u>3,384,129</u>	<u>346,618</u>	-	<u>3,730,747</u>
Less accumulated depreciation				
Buildings and improvements	502,201	31,664	-	533,865
Equipment	152,846	14,834	-	167,680
Infrastructure - Streets	949,893	99,821	-	1,049,714
Vehicles	151,106	24,155	-	175,261
Total accumulated depreciation	<u>1,756,046</u>	<u>170,474</u>	-	<u>1,926,520</u>
Capital assets, net	<u>1,628,083</u>	<u>176,144</u>	-	<u>1,804,227</u>
Governmental capital assets - net	<u>\$ 1,780,074</u>	<u>\$ 176,144</u>	<u>\$ -</u>	<u>\$ 1,956,218</u>

Functional Allocation of Depreciation Expense

General government	\$ 13,709
Public safety	
Police	22,519
Streets	109,503
Recreation	24,743
Total	<u>\$ 170,474</u>

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Notes to the Financial Statements
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B. Capital Assets - Proprietary Funds

	Balance, June 01, 2021	Additions	Deletions	Balance, May 31, 2022
Capital assets not depreciated				
Land	\$ 7,160	\$	\$	\$ 7,160
Construction in Process	100,742	37,000	-	137,742
Total capital assets not being depreciated	<u>107,902</u>	<u>37,000</u>	<u>-</u>	<u>144,902</u>
Capital assets being depreciated				
Buildings	10,340	-	-	10,340
Equipment	59,313	-	-	59,313
Filter System	5,087	-	-	5,087
Meter & Hydrants	2,100	-	-	2,100
Sewer System	5,298,603	90,064	-	5,388,667
Vehicles	35,710	-	-	35,710
Water System	2,419,762	39,363	-	2,459,125
Wells & Pumps	210,056	-	-	210,056
Total capital assets being depreciated	<u>8,040,971</u>	<u>129,427</u>	<u>-</u>	<u>8,170,398</u>
Less accumulated depreciation				
Buildings	6,318	491	-	6,810
Equipment	41,574	3,214	-	44,789
Filter System	5,087	-	-	5,087
Meter & Hydrants	2,100	-	-	2,100
Sewer System	2,325,026	122,647	-	2,447,672
Vehicles	19,450	4,592	-	24,042
Water System	1,096,020	59,368	-	1,155,388
Wells & Pumps	200,398	1,451	-	201,849
Total accumulated depreciation	<u>3,695,973</u>	<u>191,763</u>	<u>-</u>	<u>3,887,737</u>
Capital assets, net	<u>4,344,998</u>	<u>(62,336)</u>	<u>-</u>	<u>4,282,661</u>
Business-type activities capital assets - net	<u>\$ 4,452,900</u>	<u>\$ (25,336)</u>	<u>\$ -</u>	<u>\$ 4,427,563</u>

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8. Payables

The payables of \$46,966 at May 31, 2022, are as follows:

	Fund		Total
	General	Enterprise	
Accounts	\$ 29,965	\$ 6,657	\$ 36,622
Payroll liabilities	10,344	-	10,344
Total	\$ 40,309	\$ 6,657	\$ 46,966

9. Long-Term Obligations

In July 2017, the Town entered into a financing agreement with Louisiana's Department of Environmental Quality's Clean Water State Revolving Fund (CWSRF) to provide financing in the amount of \$1,059,400 for 20 years at 0.45%, with \$582,670 of principal to be forgiven as financing advances are made. The proceeds of this financing are to be used to renovate the sewer treatment facility in order to achieve compliance with DEQ regulations. In November 2017, the Town entered into a construction contract, amounting to \$709,775 to begin work on the project, and the project was completed as of May 30, 2020. This loan requires the Town to maintain certain restricted cash reserve funds, among other requirements, and the Town has funded these at the maximum required over the life of the loan. As of May 31, 2022, these funds amounted to \$93,024 and are shown as restricted assets.

As of May 31, 2022, the Town has a note payable to CWSRF in the amount of \$413,384, of which \$22,000 was determined to be the current amount due in 2022. When the drawdown of the total loan is completed, the Town will be obligated to make annual payments from \$25,454 to \$27,226 for the 20 year term of the loan.

The following is a summary of the long-term obligation transactions for the year ended May 31, 2022:

Long-term obligation	Balance, June 01, 2021	Additions	Deletions	Balance, May 31, 2022
CWSRF	410,000	-	22,000	388,000
Total	\$ 410,000	\$ -	\$ 22,000	\$ 388,000

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of May 31, 2022:

Long-term obligation	Current portion	Long-term portion	Total
CWSRF	\$ 23,000	\$ 365,000	\$ 388,000
Total	\$ 23,000	\$ 365,000	\$ 388,000

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

Year ending May 31:	Princiapl	Interest	Total
2023	23,000	1,699	24,699
2024	23,000	1,595	24,595
2025	23,000	1,492	24,492
2026	23,000	1,388	24,388
2027-2037	296,000	8,170	304,170
Total \$	388,000	\$ 14,344	\$ 402,344

10. Retirement Systems

A. Municipal Employees' Retirement System of Louisiana (System)

Plan Description

The Town of Zwolle contributes to the Municipal Employees' Retirement System of Louisiana (System) which is a cost sharing multiple employer defined benefit pension plan. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan B.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System.

Any member of Plan B who was hired before January 1, 2013, can retire providing the member meets one of the following criteria:

1. Any age with 30 years of creditable service.
2. Age 60 with a minimum of ten or more years of creditable service.
3. Any age with ten years of creditable service eligible for disability benefits.
4. Survivor's benefits require five years creditable service at death of member.

Eligibility for retirement for Plan B members hired on or after January 1, 2013 is as follows:

1. Age 67 with seven or more years of creditable service.
2. Age 62 with ten or more years of creditable service.
3. Age 55 with thirty or more years of creditable service.
4. Any age with twenty five years of creditable service, exclusive of military service and unused side leave. However, any member retiring under this subsection shall have their benefit actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any provision of this section, if the member had continued in service to that age.

Town of Zwolle
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Notes to the Financial Statements
As of and for the year ended May 31, 2022

Generally, the monthly amount of the retirement shall consist of an amount equal to 2% of the employee's final compensation multiplied by his or her years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. The System also provides death and disability benefits. Benefits are established or amended by state statute.

For the year ended May 31, 2022, the Town of Zwolle's total payroll for all employees was \$750,588. Total covered payroll was \$200,540. Covered payroll refers to all compensation paid by the Town of Zwolle to active employees covered by the Plan.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The 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, or by visiting the System's website www.mersla.com.

Contributions

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended May 31, 2022, the actual employer contribution rate was 15.50% for Plan B, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. The Town of Zwolle's contributions to the System under Plan B for the year ending May 31, 2022 were \$29,064.

Under Plan B, members are required by state statute to contribute 5.00% of their annual covered salary. The contributions are deducted from the employee's wages or salary and remitted by the Town of Zwolle to the System monthly.

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

At May 31, 2022, the Town reported a liability of \$140,197 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of May 31, 2021, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Town of Zwolle's proportion of the Net Pension Liability was based on a projection of the Town of Zwolle's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At May 31, 2021, the Town of Zwolle's proportion was 0.242007%, which was an increase of 0.020303% from its proportion measured as of May 31, 2020.

For the year ended May 31, 2022, the Town of Zwolle recognized the system pension expense of \$20,863 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, which was (\$12,245). Total pension expense for the Town was \$8,618.

At May 31, 2022, the Town of Zwolle reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Town of Zwolle
Zwolle, Louisiana

Notes to the Financial Statements
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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,777
Changes in assumption	5,674	-
Net difference between projected and actual earnings on pension plan	-	37,887
Changes in employer's proportion of beginning net pension liability	22,853	-
Differences between employer and proportionate share of contributions	1,711	-
Contributions after the measurement period	<u>31,084</u>	<u>-</u>
Total	<u>\$ 61,322</u>	<u>\$ 43,664</u>

The \$31,084 reported as deferred outflows of resources related to pensions resulting from Town of Zwolle contributions subsequent to the measurement date will be recognized as an increase of Net Pension Liability in the year ended May 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended May 31:	
2023	\$ 12,495
2024	(2,789)
2025	(9,826)
2026	(13,314)

Town of Zwolle
Zwolle, Louisiana

Notes to the Financial Statements
As of and for the year ended May 31, 2022

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2021, are as follows:

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	6.85%
Inflation Rate	2.50%
Projected Salary Increases (including inflation and merit increases)	-1 to 4 years of service 7.4% -More than 4 years of service 4.9%
Annuitant and beneficiary mortality	PubG-2010(B) Healthy Retiree Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.
Employee mortality	PubG-2010(B) Employee Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.
Disabled lives mortality	PubG-2010(B) Disabled Retiree Table set equal to 120% for males and females with the full generational MP2018 scale.
Expected Remaining Service Lives	3 years for Plan B

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification.

The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	53%	2.31%
Public fixed income	38%	1.65%
Alternatives	9%	0.39%
Totals	100%	4.35%
Inflation		2.60%
Expected arithmetic nominal return		6.95%

Town of Zwolle
Zwolle, Louisiana

Notes to the Financial Statements
As of and for the year ended May 31, 2022

Discount Rate

The discount rate used to measure the total pension liability was 6.85% for the year ended June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the Town of Zwolle's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town of Zwolle's proportionate share of the net pension liability calculated using the discount rate of 6.85%, as well as what the Town of Zwolle's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.85%) or one percentage-point higher (7.85%) than the current discount rate (assuming all other assumptions remain unchanged):

	1.0% Decrease	Current Discount Rate	1.0% Increase
Employer's proportionate share of net pension liability	\$ 215,090	\$ 140,197	\$ 76,850

B. Municipal Police Employees' Retirement System of Louisiana (System)

Plan Description

The Town of Zwolle contributes to the Municipal Police Employees' Retirement System of Louisiana (System) which is a cost sharing multiple employer defined benefit pension plan. Membership in the System is mandatory for all full-time police officers employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria.

Any member of the Plan who was hired before January 1, 2013, can retire providing the member meets on of the following criteria:

1. Any age with 25 years of creditable service.
2. Age 50 with a minimum of twenty or more years of creditable service.
3. Age 55 with a minimum of twelve years of creditable service.
4. After 20 years of creditable service at any age, with actuarially reduced benefit from age 55.

The monthly amount of benefits are 3 1/3% of their average final compensation (employee's average monthly earnings during the highest 36 consecutive or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Eligibility for retirement for members hired on or after January 1, 2013 is as follows:

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Zwolle, Louisiana

Notes to the Financial Statements
As of and for the year ended May 31, 2022

Hazardous Duty

1. Any age with 25 years of creditable service.
2. Age 55 with twelve or more years of creditable service.
3. After 20 years of creditable service at any age, with actuarially reduced benefit from age 55.

Non Hazardous Duty

1. Any age with 30 years of creditable service.
2. Age 55 with twenty-five or more years of creditable service.
3. Age 60 with ten or more years of creditable service.
4. After 20 years of creditable service at any age, with actuarially reduced benefit from age 55.

The benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

The system also provides death and disability benefits. Benefits are established or amended by state statute.

For the year ended May 31, 2022, the Town of Zwolle's total payroll for all employees was \$750,588. Total covered payroll was \$112,083. Covered payroll refers to all compensation paid by the Town of Zwolle to active employees covered by the Plan.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana 70809, or by calling (225) 929-7411, or by visiting the System's website www.lampers.org.

Contributions

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended May 31, 2022, the actual employer contribution rate was 33.75%, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. The Town of Zwolle's contributions to the System for the year ended May 31, 2022 were \$7,737.

Members are required by state statute to contribute 10.00% of their annual covered salary. The contributions are deducted from the employee's wages or salary and remitted by the Town of Zwolle to the System monthly.

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Notes to the Financial Statements
As of and for the year ended May 31, 2022

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

At May 31, 2022, the Employer reported a liability of \$49,137 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of May 31, 2021, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Town of Zwolle's proportion of the Net Pension Liability was based on a projection of the Town of Zwolle's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At May 31, 2021, the Town of Zwolle's proportion was 0.009218%, which was an increase of 0.009218% from its proportion measured as of May 31, 2020.

For the year ended May 31, 2022, the Town of Zwolle recognized pension expense of \$2,697 plus employer's amortization of change in proportionate share, differences between employer contributions and proportionate share of contributions, contributions made after the measurement date, which was (\$43,500). Total pension expense was (\$40,803).

At May 31, 2022, the Town of Zwolle reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	1,513
Changes in assumptions	5,442	1,402
Net difference between projected and actual earnings on pension plan	-	22,943
Changes in employer's proportion of beginning net pension liability	58,807	48,379
Differences between employer and proportionate share of contributions	668	1,316
Contributions after the measurement period	37,828	-
Total	<u>\$ 102,745</u>	<u>\$ 75,553</u>

The \$37,828 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of Net Pension Liability in the year ended May 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended May 31:	
2023	\$ (12,047)
2024	(5,472)
2025	14,784
2026	(7,902)

Town of Zwolle
Zwolle, Louisiana

Notes to the Financial Statements
As of and for the year ended May 31, 2022

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2021, are as follows:

Valuation Date	June 30, 2021	
Actuarial Cost Method	Entry Age Normal Cost	
Actuarial Assumptions:		
Investment Rate of Return	6.750%, net of investment expense	
Inflation Rate	2.50%	
Mortality	<p>For annuitants and beneficiaries, the Pub-2010 Public Retirement Plan Mortality Table for Safety Below-Median Healthy Retirees multiplied by 115% for males and 125% for females, each with full generational projection using the MP2019 scale was used.</p> <p>For disabled lives, the Pub-2010 Public Retirement Plans Mortality Table for Safety Disable Retirees multiplied by 105% for males and 115% for females, each with full generational projection using the MP2019 scale was used.</p> <p>For employees, the Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Employees multiplied by 115% for males and 125% for females, each with full generational projection using the MP2019 scale was used.</p>	
Projected Salary Increases	Years of Service	Salary Growth Rate
	1-2	12.30%
	Above 2	4.70%
Expected Remaining Service Lives	4 years	
Cost-of-Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.	

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period of July 1, 2014 through June 30, 2019, and review of similar law enforcement mortality. A change was made full generational mortality which combines the use of a base mortality table with appropriate mortality improvement scales. In order to set the base mortality table, actual plan mortality experience was assigned a credibility weighting and combined with a standard table to produce current levels of mortality. The best estimates of the arithmetic rates of return for each major asset class included in the System's target allocation as of June 30, 2021 are summarized in the following table:

Town of Zwolle
Zwolle, Louisiana

Notes to the Financial Statements
As of and for the year ended May 31, 2022

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	56%	3.47%
Fixed income	31%	0.59%
Alternatives	14%	1.01%
Totals	100%	5.07%
Inflation		2.22%
Expected arithmetic nominal return		7.29%

Discount Rate

The discount rate used to measure the total pension liability was 6.75% for the year ended June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the Town of Zwolle's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town of Zwolle's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the Town of Zwolle's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage-point higher (7.75%) than the current discount rate (assuming all other assumptions remain unchanged):

	1.0% Decrease	Current Discount Rate	1.0% Increase
Employer's proportionate share of net pension liability	\$ (85,638)	\$ 49,137	\$ 18,671

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued Municipal Police Employees' Retirement System of Louisiana Audit Report at www.lampers.org.

9. Short-Term Debt

The Town of Zwolle had no short term debt activity for the year ended May 31, 2022, and there was no short-term debt outstanding at the end of the fiscal year.

Town of Zwolle
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Notes to the Financial Statements
As of and for the year ended May 31, 2022

10. Leases

At May 31, 2022, the Town of Zwolle 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.

13. Reserved and Designated Retained Earnings/Fund Balances

The Water and Sewer Fund had restricted net position as follows:

Restricted Assets - Cash and investments	
Customer deposits	\$ 55,889
DEQ Loan Reserve Funds	103,471
Total	<u>\$ 159,361</u>

14. Related Party Transactions

The Town of Zwolle had no related party transactions for the year ended May 31, 2022.

15. Grants

During the year ended May 31, 2022, the Town of Zwolle received contributions of \$1,700 for Christmas Festival expenses and \$64,500 for Depot renovations. The Town also received grants from Homeland Security totaling \$471,238 for general operations, and \$670 from the Northwest Law Enforcement Planning Agency for reimbursement of body cameras.

16. Risk Management

The Town is exposed to various risk of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, and injuries to employees. To handle such risk of loss, the Town maintains commercial insurance policies covering automobile liability and uninsured motorist, surety bond coverage, flood insurance, and property insurance. In addition to the above policies, the Town maintains a general liability policy and an errors and omissions policy. No claims were paid on any of the policies during the past three years, which exceeded the policies' coverage amount.

16. Contingencies

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

Town of Zwolle
Zwolle, Louisiana

Notes to the Financial Statements
As of and for the year ended May 31, 2022

17. Litigation and Claims

At May 31, 2022, the Town is a party to legal proceedings involving suits filed against the Town for various reasons; however, the Town does not believe it will be exposed to any material losses in these proceedings. Accordingly, no provision for losses is included in the financial statements.

18. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 30, 2022, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Town of Zwolle
Zwolle, Louisiana

Budgetary Comparison Schedule - General Fund
For the Year Ended May 31, 2022

	Budget - Original	Budget - Final	Actual	Variance - Favorable (Unfavorable)
Revenues				
Taxes:				
Ad valorem tax	\$ 71,000	\$ 71,000	\$ 71,597	\$ 597
Franchise tax	70,000	70,000	86,892	16,892
Sales tax	620,000	681,000	800,496	119,496
Other tax	8,400	8,400	4,544	(3,856)
Licenses and permits	85,000	85,000	89,447	4,447
Operating grant	19,000	19,000	425,656	406,656
Intergovernmental	56,200	56,200	45,342	(10,858)
Rent, royalty, and commission	13,412	13,412	14,915	1,503
Charges for services	163,000	163,000	183,596	20,596
Miscellaneous	6,050	6,050	26,447	20,397
Total revenues	<u>1,112,062</u>	<u>1,173,062</u>	<u>1,748,932</u>	<u>575,870</u>
Expenditures				
Current:				
General government	260,293	260,293	413,309	(153,016)
Public safety				
Police	489,920	489,920	682,719	(192,799)
Streets	147,686	147,686	192,432	(44,746)
Parks and recreation	18,500	18,500	22,944	(4,444)
Sanitation	73,000	73,000	86,903	(13,903)
Capital outlay	155,000	215,000	346,618	(131,618)
Total expenditures	<u>1,144,399</u>	<u>1,204,399</u>	<u>1,744,925</u>	<u>(540,526)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(32,337)</u>	<u>(31,337)</u>	<u>4,007</u>	<u>35,344</u>
Other financing sources (uses)				
Interest earnings	1,000	1,000	1,146	146
Debt service - principal payment	(20,709)	(20,709)	-	20,709
Total other financing sources (uses)	<u>(19,709)</u>	<u>(19,709)</u>	<u>1,146</u>	<u>20,855</u>
Net changes in fund balances	<u>(52,046)</u>	<u>(51,046)</u>	<u>5,153</u>	<u>56,199</u>
Fund balances - May 31, 2021	<u>2,131,023</u>	<u>2,131,023</u>	<u>2,131,023</u>	<u>-</u>
Fund balances - May 31, 2022	<u>\$ 2,078,977</u>	<u>\$ 2,079,977</u>	<u>\$ 2,136,176</u>	<u>\$ 56,199</u>

The accompanying notes are an integral part of these financial statements.

Town of Zwolle
Zwolle, Louisiana

Schedule of Employer's Share of Net Pension Liability
Municipal Employees Retirement System
For the year ended May 31, 2022

	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.242010%	0.221700%	0.174470%	0.173200%	0.170540%	0.158490%	0.157650%	0.146770%
Employer's proportionate share of the net pension liability (asset)	140,197	200,914	152,631	146,498	147,554	131,372	107,146	68,907
Employer's covered employee payroll	189,047	209,764	134,872	127,921	123,705	116,109	108,513	124,042
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	74.16 %	95.78 %	113.17 %	114.52 %	119.28 %	113.15 %	98.74 %	55.55 %
Plan fiduciary net position as a percentage of total pension liability	79.14 %	66.26 %	66.14 %	65.60 %	63.49 %	63.34 %	68.71 %	76.94 %

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

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

Town of Zwolle
Zwolle, Louisiana

Schedule of Employer's Share of Net Pension Liability
Municipal Police Employees Retirement System
For the year ended May 31, 2022

	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.009218 %	- %	0.009815 %	0.013834 %	0.012475 %	0.017392 %	0.014035 %	0.016070 %
Employer's proportionate share of the net pension liability (asset)	49,137	-	89,137	116,953	108,912	163,012	109,950	100,534
Employer's covered employee payroll	22,926	-	37,235	37,527	36,590	35,577	26,620	31,129
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	214.33 %	- %	239.39 %	311.65 %	297.66 %	458.19 %	413.04 %	322.96 %
Plan fiduciary net position as a percentage of total pension liability	84.09 %	36.51 %	71.01 %	71.89 %	70.08 %	66.04 %	70.73 %	75.10 %

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

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

Town of Zwolle
Zwolle, Louisiana

Schedule of Employer Contributions
Municipal Employees Retirement System
For the year ended May 31, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 31,084	\$ 29,064	\$ 29,367	\$ 18,788	\$ 16,676	\$ 13,469	\$ 11,030	\$ 10,250	\$ 10,775
Contributions in relation to contractually required contribution	31,084	29,064	29,367	18,788	16,676	13,469	11,030	10,250	10,775
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
Employer's covered payroll	\$ 200,540	\$ 189,047	\$ 209,764	\$ 134,872	\$ 127,921	\$ 123,705	\$ 116,109	\$ 108,513	\$ 124,042
Contributions as a percentage of covered employee payroll	15.50 %	15.37 %	14.00 %	13.93 %	13.04 %	10.89 %	9.50 %	9.45 %	8.69 %

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

Town of Zwolle
Zwolle, Louisiana

Schedule of Employer Contributions
Municipal Police Employees Retirement System
For the year ended May 31, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 37,828	\$ 7,737	\$ -	\$ 12,567	\$ 12,665	\$ 12,349	\$ 12,007	\$ 8,984
Contributions in relation to contractually required contribution	37,828	7,737	-	12,567	12,665	12,349	12,007	8,984
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Employer's covered payroll	\$ 22,926	\$ -	\$ 37,235	\$ 37,527	\$ 36,590	\$ 35,577	\$ 26,620	\$ 31,129
Contributions as a percentage of covered employee payroll	165.00 %	- %	- %	33.49 %	34.61 %	34.71 %	45.11 %	28.86 %

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



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**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**

Town of Zwolle
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 the Town of Zwolle, as of and for the year ended May 31, 2022, and the related notes to the financial statements, which collectively comprise the Town of Zwolle's basic financial statements and have issued our report thereon dated November 30, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Zwolle's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Zwolle's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Zwolle'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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Zwolle's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as Finding 2021-001.

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 result 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 Town of Zwolle's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kenneth D. Folden & Co., CPAs, LLC

Jonesboro, Louisiana
November 30, 2022

SUPPLEMENTAL INFORMATION

Town of Zwolle
Zwolle, Louisiana

Schedule of Findings and Questioned Costs
For the year ended May 31, 2022

We have audited the basic financial statements of the Town of Zwolle as of and for the year ended May 31, 2022 and have issued our report thereon dated November 30, 2022. 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 Governmental Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of May 31, 2022 resulted in an unqualified opinion.

A. Summary of Auditor's Report

Report on Internal Control and Compliance Material to Financial Statements

Internal Control

Material Weakness Yes No Significant Deficiencies Yes No

Compliance

Compliance Material to Financial Statements Yes No

B. Findings - Financial Statements Audit

Current Year

Finding 2022-001 Customers Not Billed for Utility Services

Criteria: The Town of Zwolle has a policy that meter readings are completed by the 20th of each month and that utility bills are generated and mailed on or about the 30th of each month. In addition, the donation of public assets is prohibited by Article VII, Section 14(A) of Louisiana Constitution of 1974.

Condition: In December of 2021, the Town failed to generate and mail utility bills to 92% of its customers for water usage. Therefore, the customers of the system received utility services for no charge.

Cause: None.

Effect: Because most of its customers were not billed in December of 2021, the Town is in violation of its own policy and the provisions of the Louisiana Constitution. The Town did not receive approximately \$33,000 (average billing per month) in revenues for services provided.

Recommendation: The Town of Zwolle should research the month that was not billed and determine how to bill the customers for those services. We recommend the town implement a procedure to ensure that customers are billed for each month without fail.

Management Response: The Town of Zwolle will take accurate measures to review the individual accounts to confirm whether the customer was billed for the month of December. If the customer was not billed, the Town will charge the customer based on the amount of usage calculated from the monthly meter reads. If usage amount cannot be confirmed due to a faulty meter, then an average bill will then be estimated.

Town of Zwolle
Zwolle, Louisiana

Schedule of Findings and Questioned Costs
For the year ended May 31, 2022

Finding 2022-002 Customers Not Cut-Off or on Payment Plan for Utility Billing

Criteria: The donation of public assets is prohibited by the Article VII, Section 14(A) of Louisiana Constitution of 1974. Also, the Town of Zwolle has a policy that utility services will be terminated if bills are not paid in full by the payment due date. No services can be resumed until all outstanding amounts are paid.

Condition: The Town of Zwolle has payment plans for multiple customers that have not been approved by the Board. Furthermore, there are customers who are currently on the accounts receivable list that have a balance due for longer than 60 days.

Cause: None.

Effect: The accounts receivable list as of November 18, 2022, shows approximately \$37,000 due for accounts that have not paid and services have not been discontinued. The Town is in violation of its own policy and the provisions of the Louisiana Constitution.

Recommendation: The Town of Zwolle should review the accounts receivable list and list of customers on the unapproved payment plan to determine the services that should be discontinued.

Management Response: The Town of Zwolle currently has a plan in place to research each account that was reported on the monthly cut off list to ensure accuracy of the amount due. The Town will take all measures necessary to correct any incorrect billing statements by adjusting the account with appropriate supporting documentation.

Finding 2022-003 Compliance with Local Government Budget Act

Criteria: Louisiana Revised Statute 39:1311 requires that a public entity whose actual expenditures are above budgeted expenditures by 5% amend the budget in the same manner the budget was first adopted.

Condition: The Town of Zwolle's actual expenditures were more than budgeted expenditures by more than 5%.

Cause: None.

Effect: The Town of Zwolle is not in compliance with the state law concerning budgeting.

Recommendation: The Town of Zwolle should implement procedures to ensure that state law is followed with respect to budgetary procedures.

Management Response: The Town of Zwolle will implement procedures to ensure that state law is followed with respect to budgetary procedures.

Prior Year

No prior year findings.

Town of Zwolle
Zwolle, LouisianaSchedule of Compensation Paid Aldermen
For the year ended May 31, 2022

	2022
Carolyn Cutright	\$ 8,666
Darlene Frazier	8,666
Martha Henderson	8,666
Allen Rivers	8,666
Jermaine Thomas	8,666
	\$ 43,331

Town of Zwolle
Zwolle, Louisiana

Schedule of Compensation, Benefits and Other Payments to Agency Head
For the year ended May 31, 2022

Granvil "Pie" Martinez		
Mayor		
Salary	\$	22,100
	\$	<u>22,100</u>

Town of Zwolle
Zwolle, Louisiana

Justice System Funding Schedule - Collecting/Disbursing Entity
For the year ended May 31, 2022

	First Six Month Period Ended 11/30/21	Second Six Month Period Ended 05/31/22
Beginning Balance of Amounts Collected (i.e. cash on hand)	\$ 579	\$ (138)
Add: Collections (Please enter zeros if no activity within a certain collection type)		
Civil Fees (including refundable amounts such as garnishments or advance deposits)		
Bond Fees		
Asset Forfeiture/Sale		
Pre-Trial Diversion Program Fees		
Criminal Court Costs/Fees	2,952	4,808
Criminal Fines - Contempt		
Criminal Fines - Other	37,136	63,877
Restitution		
Probation/Parole/Supervision Fees		
Service/Collection Fees (e.g. credit card fees, report fees, 3rd party service fees)		
Interest Earnings on Collected Balances		
Other (do not include collections that fit into more specific categories above)		
Subtotal Collections	40,088	68,685
Less: Disbursements To Governments & Nonprofits: (Must include one agency name and one collection type on each line and may require multiple lines for the same agency if more than one collection type is applicable. Additional rows may be added as necessary.)		
LDH-THSCI Trust Fund	1,035	1,485
Louisiana Commission on Law Enforcement	553	712
Louisiana Judicial College	136	187
North Louisiana Crime Laboratory Commission	130	240
Treasurer, State of Louisiana - CMIS	300	407
Ware Youth Center Authority	2,115	2,798
Less: Amounts Retained by Collecting Agency		
Collection Fee for Collecting/Disbursing to Others Based on Percentage of Collection (enter zero if no activity to report here)		
Collection Fee for Collecting/Disbursing to Others Based on Fixed Amount (enter zero if no activity to report here)		
Town of Zwolle, Criminal Fines - Other	36,536	62,927
Less: Disbursements to Individuals/3rd Party Collection or Processing Agencies (Please enter zeros if no activity within a certain line item)		

Town of Zwolle
Zwolle, Louisiana

Justice System Funding Schedule - Collecting/Disbursing Entity
For the year ended May 31, 2022

Civil Fee Refunds	-	-
Bond Fee Refunds	-	-
Restitution Payments to Individuals (additional detail is not required)	-	-
Other Disbursements to Individuals (additional detail is not required)	-	-
Payments to 3rd Party Collection/Processing Agencies	-	-
Subtotal Disbursements/Retainage	40,805	68,756
Total: Ending Balance of Amounts Collected but not Disbursed/Retained (i.e. cash on hand)	(138)	(209)
Ending Balance of "Partial Payments" Collected but not Disbursed (only applies if collecting agency does not disburse partial payments until fully collected) - This balance is included in the Ending Balance of Amounts Collected but not Disbursed/Retained above.	-	-
Other Information:		
Ending Balance of Total Amounts Assessed but not yet Collected (i.e. receivable balance)	-	-
Total Waivers During the Fiscal Period (i.e. non-cash reduction of receivable balances, such as time served or community service)	600	950



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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the and Council of Town of Zwolle
Zwolle, Louisiana
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period June 01, 2021 through May 31, 2022. Town of Zwolle's management is responsible for those C/C areas identified in the SAUPs.

Town of Zwolle has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period June 01, 2021 through May 31, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a. Budgeting, including preparing, adopting, monitoring, and amending the budget.
 - b. Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - c. Disbursements, including processing, reviewing, and approving,
 - d. Receipts/Collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- e. Payroll/Personnel, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- f. Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process,
- g. Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h. Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i. Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j. Debt Service, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k. Information Technology Disaster Recovery/Business Continuity, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l. Sexual Harassment, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Exception: No written policy for ethics, debt service, information technology disaster recovery/business continuity, and sexual harassment that cover the outlined information.

Management's Response: The Town of Zwolle will develop policies for debt service and information technology disaster recovery/business continuity, and will amend the policies for ethics and sexual harassment to include the outlined information.

Board

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Response: The board met monthly with a quorum.
 - b. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

Response: There is no mention of budget to actual comparisons in the treasury report that was approved.
 - c. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Response: Unrestricted fund balance did not have a negative ending balance.

Exception: See above responses.

Management's Response: Management will review budget-to-actual comparisons in monthly meetings and note it in the meeting minutes.

Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

a. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

Response: Bank reconciliations show evidence they have been prepared within 2 months of the closing date.

b. Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Response: All reconciliations include evidence that a member of management or board member that does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.

c. Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Response: There was indication that management has researched reconciling items that have been outstanding for more than 12 months from the statement closing date.

Exception: See above responses.

Management's Response: None.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Response: Management provided locations for all collections.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

a. Employees that are responsible for cash collections do not share cash drawers/registers.

Response: Separate cash drawers are used for collections.

b. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Response: The utility clerk prepares deposits for the utility fund, the clerk prepares deposits for the general fund, and the dispatcher prepares deposits for the police fund. The clerk is responsible for reconciling collections.

c. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Response: The clerk is responsible for posting collection entries to the general ledger.

d. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

Response: The clerk is responsible for reconciling cash collections to the general ledger, but the mayor and board are responsible for reviewing the reconciliation monthly.

6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

Response: Employees that have access to cash are covered by bond.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:

a. Observe that receipts are sequentially pre-numbered.

Response: Nine out of thirty-three collections tested used sequentially numbered receipts, two of the other twenty-four were transfers, and eleven of the twenty-four used system reports, three of the twenty-four used other collection documentation.

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

Response: Eight out of thirty-three collections tested did not have sequentially pre-numbered receipts, system reports, and other related collection documentation to be traced to the deposit slip

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

Response: All collections tested were traced from the deposit slip to the bank statement.

d. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

Response: Fourteen of the thirty-three collections tested were made within one business day of the receipt at the collection location.

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

Response: All collections tested were traced from the actual deposit per the bank statement to the general ledger.

Exception: See above responses.

Management's Response: Management will ensure that sequentially numbered receipts, system reports, or other collection documentation is retained to back up the collection. Management will also make deposits within one business day of receipt of collection at collection location.

Disbursements - General

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

a. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Response: The purchase must be initiated by a purchase order system. The purchase order must be signed by the person/department making the request, then approved in writing by a designated municipal official.

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

Response: Verification in writing by the clerk and mayor must be received before the disbursement is made.

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

Response: The clerk is responsible for processing payments, but the mayor and board review all vendor payments monthly.

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

Response: The clerk is responsible for processing the disbursement. The mayor and council is responsible for signing the disbursement. The clerk is then responsible for mailing the disbursement.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

a. Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

Response: Out of the 102 disbursements reviewed 26 disbursements did not have an original invoice/billing statement.

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

Response: Out of the 102 disbursements reviewed 55 disbursements did not include evidence of segregation of duties as tested under #9, as applicable.

Exception: See above responses.

Management's Response: Management will ensure that they retain an itemized invoice or receipt. Management will also ensure they include evidence that segregation of duties as tested under #9 is followed. An employee not responsible for processing payments will mail the payments.

Credit Cards

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

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

a. Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, (or electronically approved), by someone other than the authorized card holder.

Response: There were no itemized receipts for 16 out of 25 transactions.

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

Response: There were no finance charges or late fees assessed.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing).

a. For each transaction, observe that it is supported by:

i. An original itemized receipt that identifies precisely what was purchased,

Response: There were no itemized receipts for 16 out of 25 transactions.

ii. Written documentation of the business/public purpose, and

Response: There was no written documentation of business/public purpose in 9 out of 25 transactions.

iii. Documentation of the individuals participating in meals (for meal charges only).

Response: There was no documentation of individuals participating in meals.

For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

Exception: See above responses.

Management's Response: The Town of Zwolle will have an original itemized receipt for all transactions and list business/public purpose. The Town of Zwolle will also list all individuals participating in meals.

Travel and Expense Reimbursement

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

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

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

c. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

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

Response: There was no travel and expense reimbursement.

Management's Response: None.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period.

Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- b. Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
- c. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g. if approval is required for any amendment, was approval documented).
- d. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

Response: There was no new contracts.

Management's Response: None.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a. Observe all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Response: All employees documented their daily attendance and leave.

- b. Observe whether supervisors approved the attendance and leave of the selected employees/officials.

Response: All employees had their daily documented attendance and leave approved by supervisors.

- c. Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Response: All leave accrued and taken during the pay period is reflected in the cumulative leave records.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or official's authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

Response: The Town of Zwolle does not accumulate or vest compensated absences, therefore no termination payments are made.

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

Response: Management provided representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed by required deadlines.

Exception: None.

Management's Response: None.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Response: All employees are completed one hour of ethics training during the fiscal period.

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

Response: There were no changes to the entity's ethics policy.

Exception: See above responses.

Management's Response: None.

Debt Service

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.

Response: No new notes or other debt.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Response: Balances of reserve funds agree to the amounts required.

Exception: None.

Management's Response: None.

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Response: Management has provided representation that there were no misappropriations of public funds and assets during the fiscal period.

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

Response: We observed the notice posted in the break room.

Management's Response: None.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”

Response: We performed the procedure and discussed the results with management.

- a. Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
- b. Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
- c. Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Exception: None.

Management's Response: None.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

Response: There was no documentation that the employees selected obtained sexual harassment training.

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

Response: There was no posting of the entities sexual harassment policy.

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

- a. Number and percentage of public servants in the agency who have completed the training requirements;
- b. Number of sexual harassment complaints received by the agency;
- c. Number of complaints which resulted in a finding that sexual harassment occurred;
- d. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e. Amount of time it took to resolve each complaint.

Response: The Town did not complete the annual sexual harassment report.

Exception: See above responses.

Management's Response: Management will provide documentation that employees performed annual sexual harassment training. Management will post the sexual harassment policy. Management will complete the annual sexual harassment report by February 1.

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

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

Kenneth D. Falden & Co., CPAs, LLC

Jonesboro, Louisiana
November 30, 2022



Town of Zwolle

P.O. BOX 1038
ZWOLLE, LOUISIANA 71486
(318) 645-6150

G. J. "Pie"
Martinez
Mayor

November 30, 2022

Kenneth D. Folden & Co., CPAs, LLC
308 8th Street
Jonesboro, LA 71251

Allen Rivers
Mayor Pro-Tempore
Public Works

Jermaine Thomas
Fairs and Festivals
Secretary

Martha Henderson
Treasurer

Carolyn Cutright-
Price
Health & Sanitation
Streets

Darlene Frazier
Streets & Sidewalk

Daniel Thomas
Chief of Police

Ashley Garcia
Town Clerk

Home of the:
Zwolle Tamale
Fiesta- 2nd Weekend
in October

Zwolle Logger's &
Forestry Festival- 2nd
Weekend in May

In connection with your engagement to apply agreed-upon procedures to certain control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs), for the fiscal period June 01, 2021 through May 31, 2022, we confirm to the best of our knowledge and belief, the following representations made to you during your engagement.

1. We acknowledge that we are responsible for the C/C areas identified in the SAUPs, including written policies and procedures; board or finance committee; bank reconciliations; collections; non-payroll disbursements; credit/debit/fuel/purchasing cards; travel and travel related expense reimbursement; contracts; payroll and personnel; ethics; debt service; and other areas (as applicable).

Yes No

2. For the fiscal period June 01, 2021 through May 31, 2022, the C/C areas were administered in accordance with the best practice criteria presented in the SAUPs.

Yes No

3. We are responsible for selecting the criteria and procedures and for determining that such criteria and procedures are appropriate for our purposes.

Yes No

4. We have provided you with access to all records that we believe are relevant to the C/C areas and the agreed-upon procedures.

Yes No

5. We have disclosed to you all known matters contradicting the results of the procedures performed in C/C areas.

Yes No

6. We have disclosed to you any communications from regulatory agencies, internal auditors, other independent practitioners or consultants, and others affecting the C/C areas, including communications received between May 31, 2022, and November 30, 2022.

Yes No

7. We represent that the listing of bank accounts for the fiscal period that we provided to you is complete.

We also represent that we have identified and disclosed to you our main operating account.

Yes No

8. We represent that the listing of deposit sites for the fiscal period that we provided to you is complete.

Yes No

9. We represent that the listing of collection locations for the fiscal period that we provided to you is complete.

Yes No

10. We represent that the listing of locations that process payments for the fiscal period that we provided to you is complete.

Yes No

11. We represent that the non-payroll disbursement transaction population for each location that processes payments for the fiscal period that we provided to you is complete.

Yes No

12. We represent that the listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards, that we provided to you is complete.

Yes No

13. We represent that the listing of all travel and travel-related expense reimbursements during the fiscal period that we provided to you is complete.

Yes No

14. We represent that the listing of all agreements/contracts (or active vendors) for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period that we provided to you is complete.

Yes No

15. We represent that the listing of employees/elected officials employed during the fiscal period that we provided to you is complete.

Yes No

16. We represent that the listing of employees/officials that received termination payments during the fiscal period that we provided to you is complete.

Yes No

17. We represent that the employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines during the fiscal period.

Yes No

18. We represent that the listing of bonds/notes issued during the fiscal period that we provided to you is complete.

Yes No

19. We represent that the listing of bonds/notes outstanding at the end of the fiscal period that we provided to you is complete.

Yes No

20. We represent that the listing of misappropriations of public funds and assets during the fiscal period that we provided to you is complete.

Yes No

21. We are not aware of any material misstatements in the C/C areas identified in the SAUPs.

Yes No

22. We have disclosed to you any other matters as we have deemed appropriate.

Yes No

23. We have responded fully to all inquiries made by you during the engagement.

Yes No

24. We have disclosed to you all known events that have occurred subsequent to May 31, 2022, that would have a material effect on the C/C areas identified in the SAUPs, or would require adjustment to or modification of the results of the agreed-upon procedures.

Yes No

The previous responses have been made to the best of our belief and knowledge.

Signature: 

Date 11/30/22

Title: Mayor

Signature 

Date 11/30/22

Title: Councilmember