

VILLAGE OF SIMPSON, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

The Honorable Vickie Standifer, Mayor
and Members of the Board of Aldermen
Village of Simpson, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Simpson, Louisiana as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Village of Simpson, Louisiana's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village of Simpson, Louisiana as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 inquires 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 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Simpson, Louisiana's basic financial statements. The schedule of per diem paid to board members, and schedule of compensation, benefits and other payments to agency head are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of per diem paid to board members and schedule of compensation, benefits and other payments to agency head are the responsibility of management and were derived from and relate 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 per diem paid to board members, and schedule of compensation, benefits and other payments to agency head 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 December 19, 2019, on our consideration of the Village of Simpson, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Simpson, Louisiana's internal control over financial reporting and compliance.



DeRidder, Louisiana
December 19, 2019

BASIC FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2019

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 107,716	\$ 242,099	\$ 349,815
Receivables:			
Franchise tax	1,510	-	1,510
Hotel/Motel tax	4,138	-	4,138
Insurance premium tax	343	-	343
Accounts	781	18,310	19,091
Due from other funds	-	11,432	11,432
Capital assets being depreciated - net	18,808	374,601	393,409
	<u>133,296</u>	<u>646,442</u>	<u>779,738</u>
Total assets	\$	\$	\$
DEFERRED OUTFLOW OF RESOURCES			
Prepaid insurance	\$ 4,507	\$ 3,902	\$ 8,409
	<u>137,803</u>	<u>650,344</u>	<u>788,147</u>
Total assets and deferred outflows of resources	\$	\$	\$
LIABILITIES			
Accounts payable	\$ 792	\$ 3,671	\$ 4,463
Payroll taxes payable	1,754	4,304	6,058
Due to other funds	11,432	-	11,432
Long term liabilities:			
Due in more than one year	-	120,978	120,978
Customer deposits	-	3,655	3,655
	<u>13,978</u>	<u>132,608</u>	<u>146,586</u>
Total liabilities	\$	\$	\$
NET POSITION			
Net investment in capital assets	\$ 18,808	\$ 253,623	\$ 272,431
Unrestricted	105,017	264,113	369,130
Total net position	<u>123,825</u>	<u>517,736</u>	<u>641,561</u>
	<u>137,803</u>	<u>650,344</u>	<u>788,147</u>
Total liabilities and net position	\$	\$	\$

The accompanying notes are an integral part of this statement.

Statement of Activities
For the Year Ended June 30, 2019

Program Activities	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		Total
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
General government and administration	\$ 37,558	\$ -	\$ -	\$ -	\$ (37,558)	\$ -	\$ (37,558)
Public safety	36,598	5,017	-	-	(31,581)	-	(31,581)
Total governmental activities	\$ 74,156	\$ 5,017	\$ -	\$ -	\$ (69,139)	\$ -	\$ (69,139)
Business-type activities:							
Water and sewer	\$ 160,902	\$ 154,979	\$ -	\$ -	\$ -	\$ (5,923)	\$ (5,923)
Total government	<u>\$ 235,058</u>	<u>\$ 159,996</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (69,139)</u>	<u>\$ (5,923)</u>	<u>\$ (75,062)</u>
General revenues:							
Taxes:							
Hotel/motel					\$ 20,998	\$ -	\$ 20,998
Franchise tax					17,201	-	17,201
Occupational licenses and permits					18,493	-	18,493
Liquor licenses					60	-	60
Investment earnings					2	250	252
Rental income					14,400	-	14,400
Insurance proceeds					-	3,677	3,677
Reimbursements					4,263	-	4,263
Miscellaneous					111	-	111
Total general revenues and transfers					<u>\$ 75,528</u>	<u>\$ 3,927</u>	<u>\$ 79,455</u>
Change in net position					<u>\$ 6,389</u>	<u>\$ (1,996)</u>	<u>\$ 4,393</u>
Net position at beginning of year					117,436	519,732	637,168
Net position at end of year					<u>\$ 123,825</u>	<u>\$ 517,736</u>	<u>\$ 641,561</u>

The accompanying notes are an integral part of this statement.

Balance Sheet
Governmental Funds
For the Year Ended June 30, 2019

	General
ASSETS	
Cash	\$ 107,716
Receivables:	
Franchise tax	1,510
Hotel/Motel tax	4,138
Insurance premium tax	343
Accounts	781
Total assets	\$ 114,488
DEFERRED OUTFLOWS OF RESOURCES	
Prepaid insurance	\$ 4,507
Total assets and deferred outflows of resources	\$ 118,995
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 792
Payroll taxes payable	1,754
Due to utility fund	11,432
Total liabilities	\$ 13,978
Fund Balances:	
Unassigned	\$ 100,510
Nonspendable:	
Not in spendable form	4,507
Total fund balances	\$ 105,017
Total liabilities and fund balances	\$ 118,995

The accompanying notes are an integral part of this statement.

Reconciliation of the Governmental Funds Balance Sheet
to Statement of Net Position
For the Year Ended June 30, 2019

Total fund balance - total governmental funds	\$ 105,017
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets.	<u>18,808</u>
Net position of governmental activities	<u><u>\$ 123,825</u></u>

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2019

	<u>General Fund</u>
Revenues	
Taxes:	
Franchise	\$ 17,201
Hotel/motel	20,998
Occupational licenses and permits	18,493
Fines	5,017
Liquor licenses	60
Investment income	2
Rentals	14,400
Reimbursements	4,263
Miscellaneous	111
	<hr/>
Total revenues	\$ 80,545
	<hr/>
Expenditures	
General government	\$ 36,166
Public safety	34,233
Capital outlay	5,765
	<hr/>
Total expenditures	\$ 76,164
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Net change in fund balance	\$ 4,381
	<hr/>
Fund balances at beginning of year	100,636
	<hr/>
Fund balances at end of year	\$ 105,017
	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds	\$ 4,381
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation expense on capital assets is reported in the government- wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(3,757)
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	<u>5,765</u>
Change in net position of governmental activities	<u><u>\$ 6,389</u></u>

The accompanying notes are an integral part of this statement.

Statement of Net Position
 Proprietary Fund
 June 30, 2019

	<u>Business-type Activities - Enterprise Fund Water and Sewer</u>
ASSETS	
Current Assets	
Cash	\$ 242,099
Receivables:	
Accounts	18,310
Due from general fund	11,432
Total current assets	<u>\$ 271,841</u>
Non-current Assets	
Capital assets being depreciated - net	<u>\$ 374,601</u>
Total assets	<u>\$ 646,442</u>
DEFERRED OUTFLOWS OF RESOURCES	
Prepaid insurance	<u>\$ 3,902</u>
Total assets and deferred outflows of resources	<u><u>\$ 650,344</u></u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 3,671
Payroll taxes payable	4,304
Total current liabilities	<u>\$ 7,975</u>
Non-Current Liabilities	
Note payable - DOTD	\$ 120,978
Customer deposits	3,655
Total non-current liabilities	<u>\$ 124,633</u>
Total liabilities	<u>\$ 132,608</u>
NET POSITION	
Net investment in capital assets	\$ 253,623
Unrestricted	264,113
Total net position	<u>\$ 517,736</u>
Total liabilities and net position	<u><u>\$ 650,344</u></u>

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Fund
 For the Year Ended June 30, 2019

	Business-type Activities - <u>Enterprise Fund</u> <u>Water and Sewer</u>
Operating revenues	
Charges for services	<u>\$ 154,979</u>
Operating expenses	
Personal services	\$ 47,281
Supplies	6,374
Contractual services	71,880
Depreciation	35,367
Total operating expenses	<u>\$ 160,902</u>
Income (loss) from operations	<u>\$ (5,923)</u>
Non-operating revenues (expenses)	
Investment income	\$ 250
Insurance proceeds	3,677
Total non-operating revenues (expenses)	<u>\$ 3,927</u>
Change in net position	\$ (1,996)
Net position at beginning of year	<u>519,732</u>
Net position at end of year	<u><u>\$ 517,736</u></u>

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Fund <u>Water and Sewer</u>
Cash flows from operating activities:	
Cash received from customers	\$ 154,999
Cash payments to suppliers for goods and services	(77,711)
Cash payments to employees for services	(44,235)
Net cash provided by operating activities	<u>\$ 33,053</u>
Cash flows from capital financing activities:	
Purchase of fixed assets	\$ (25,611)
Principal paid on debt	(4,557)
Net cash used by capital financing activities	<u>\$ (30,168)</u>
Cash flows from non-capital financing activities:	
Insurance proceeds received	\$ 3,677
Paid to other funds	(1,148)
Net cash provided by non-capital financing activities	<u>\$ 2,529</u>
Cash flows from investing activities:	
Interest on cash and investments	<u>\$ 250</u>
Net increase (decrease) in cash and cash investments	\$ 5,664
Cash and cash investments, beginning July 1, 2018	<u>236,435</u>
Cash and cash investments, ending June 30, 2019	<u>\$ 242,099</u>
Reconciliation of loss from operations to net cash provided by operating activities:	
Loss from operations	\$ (5,923)
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:	
Depreciation	\$ 35,367
Change in assets and liabilities:	
Increase in accounts receivable	(1,204)
Increase in accounts payable	1,133
Decrease in payroll taxes receivable	2,422
Increase in customer deposits payable	1,224
Increase in payroll taxes payable	624
Decrease in sales taxes payable	(22)
Increase in prepaid insurance	(568)
Net cash provided by operating activities	<u>\$ 33,053</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

Village of Simpson, Louisiana

Notes to the Financial Statements
As of and for the Year Ended June 30, 2019

INTRODUCTION

The Village of Simpson was incorporated in 1967 under the provisions of the Lawrason Act. The Village operates under a Mayor-Board of Aldermen form of government.

The accounting and reporting policies of the Village of Simpson conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The Village maintains a general fund that provides services and benefits to its citizens including repairs and maintenance of approximately 20 miles of roads and streets, and police protection to approximately 650 residents and an enterprise fund that provides water to approximately 385 rural residents.

The Village is located within Vernon Parish in the south-central part of the State of Louisiana and is comprised of approximately 650 residents. The governing board is composed of three elected aldermen that are compensated for regular and special board meetings. There are approximately three employees that provide police protection and handle the clerical work for the Village.

GASB Statement No. 14, *The 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 Village is considered a primary government, since it is a special purpose 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 Village 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the funds financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Village of Simpson, Louisiana

Notes to the Financial Statements (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental fund:

The General Fund is the Village's primary operating fund. It accounts for all financial resources except for those in another fund.

The Village reports the following major proprietary fund:

The Proprietary Fund accounts for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Charges for services of providing water and sewer services to residents comprise the operating revenue of the Village's enterprise fund. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Village has not established a policy for use of the unrestricted fund balance, therefore it considers committed fund balances to be used first, then assigned fund balances to be used next and finally the unassigned fund balance will be used.

C. Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, time deposits and short-term investments with original maturities of three months or less from the date of acquisition. State law and

Village of Simpson, Louisiana

Notes to the Financial Statements (Continued)

the Village's investment policy allow the Village to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets 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. The Village maintains a threshold level of \$500 or more for capitalizing capital assets.

According to GASB 34, the Village of Simpson was not required to retroactively report infrastructure assets in its financial statements, therefore, these assets have not been reported in the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was paid or included as part of the cost of capital assets under construction in construction projects.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Roads, bridges, and infrastructure	40-50 years
Land improvements	40-50 years
Buildings and building improvements	40-50 years
Furniture and fixtures	5-15 years
Equipment	3-15 years

F. Compensated Absences

As of June 30, 2019, the Village did not have a formal vacation or sick leave policy.

G. Long-Term Obligations

In the government-wide financial statements and the proprietary-fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type and statement of net position.

H. Restricted Net Position

For government-wide statement of net position, net position is reported as restricted when constraints placed on net position use either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation.

I. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the Village, which are either unusual in nature or infrequent in occurrence.

J. 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.

K. Fund Balances

- Unassigned Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.
- Nonspendable The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION: The Village uses the following budget practices:

1. The Village Clerk and Mayor prepare a proposed budget and submit same to the 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 is 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 the 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 increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen. These amended amounts are shown in the financial statements.

Village of Simpson, Louisiana

Notes to the Financial Statements (Continued)

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.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS The following individual fund had actual expenditures over budgeted appropriations for the year ended June 30, 2019.

Fund	Original Budget	Final Budget	Actual	Unfavorable Variance
General Fund	\$ 67,000	\$ 74,939	\$ 76,164	\$ 1,225

3. CASH AND CASH EQUIVALENTS

At June 30, 2019, the Village has cash and cash equivalents (book balances) totaling \$349,815 as follows:

Demand deposits	\$ 208,855
Savings accounts	135,264
Time deposit accounts	5,696
Total	<u>\$ 349,815</u>

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. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2019, the Village has \$357,572 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance.

4. RECEIVABLES

The receivables of \$25,082 at June 30, 2019 are as follows:

Class of receivable	General Fund	Proprietary Fund	Total
Taxes:			
Franchise	\$ 1,510	\$ -	\$ 1,510
Hotel/Motel	4,138	-	4,138
Insurance premium	343	-	343
Accounts	781	18,310	19,091
Total	<u>\$ 6,772</u>	<u>\$ 18,310</u>	<u>\$ 25,082</u>

Village of Simpson, Louisiana

Notes to the Financial Statements (Continued)

5. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2019 for the primary government is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental activities:				
Capital assets being depreciated				
Vehicles	\$ 20,271	\$ -	\$ -	\$ 20,271
Furniture and fixtures	4,106	-	-	4,106
Improvements	10,596	-	-	10,596
Machinery and equipment	29,697	5,765	-	35,462
Total capital assets being depreciated	<u>\$ 64,670</u>	<u>\$ 5,765</u>	<u>\$ -</u>	<u>\$ 70,435</u>
Less accumulated depreciation for:				
Vehicles	\$ 17,906	\$ 2,365	\$ -	\$ 20,271
Furniture and fixtures	90	411	-	501
Improvements	177	530	-	707
Machinery and equipment	29,697	451	-	30,148
Total accumulated depreciation	<u>\$ 47,870</u>	<u>\$ 3,757</u>	<u>\$ -</u>	<u>\$ 51,627</u>
Total capital assets being depreciated, net	<u>\$ 16,800</u>	<u>\$ 2,008</u>	<u>\$ -</u>	<u>\$ 18,808</u>
Business-type activities:				
Capital assets being depreciated				
Utility plant	\$ 115,500	\$ -	\$ -	\$ 115,500
Machinery and equipment	951,437	7,111	-	958,548
Furniture and fixtures	12,563	-	-	12,563
Vehicles	7,000	18,500	3,500	22,000
Total capital assets being depreciated	<u>\$ 1,086,500</u>	<u>\$ 25,611</u>	<u>\$ 3,500</u>	<u>\$ 1,108,611</u>
Less accumulated depreciation for:				
Utility plant	\$ 41,691	\$ 5,361	\$ -	\$ 47,052
Machinery and equipment	643,355	27,979	-	671,334
Furniture and fixtures	10,097	794	-	10,891
Vehicles	7,000	1,233	3,500	4,733
Total accumulated depreciation	<u>\$ 702,143</u>	<u>\$ 35,367</u>	<u>\$ 3,500</u>	<u>\$ 734,010</u>
Total business-type assets being depreciated, net	<u>\$ 384,357</u>	<u>\$ (9,756)</u>	<u>\$ -</u>	<u>\$ 374,601</u>

Depreciation expense of \$3,757 for the year ended June 30, 2019 was charged to the following governmental functions:

Public safety	\$ 2,365
General administration	1,392
Total	<u>\$ 3,757</u>

Village of Simpson, Louisiana

Notes to the Financial Statements (Continued)

6. ACCOUNTS AND OTHER PAYABLES

The payables of \$14,176 at June 30, 2019 are as follows:

	<u>General Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Payroll taxes	\$ 1,754	\$ 4,304	\$ 6,058
Accounts	792	3,671	4,463
Customer deposits	-	3,655	3,655
Total	<u>\$ 2,546</u>	<u>\$ 11,630</u>	<u>\$ 14,176</u>

7. DUE TO/FROM OTHER FUNDS

The composition of interfund balances on June 30, 2019 are as follows:

	<u>Due to</u>	<u>Due from</u>
General fund	\$ 11,432	\$ -
Utility fund	-	11,432
Total	<u>\$ 11,432</u>	<u>\$ 11,432</u>

These small balances result from one fund paying expenditures/expenses of another fund and will be liquidated during the following year.

8. LONG-TERM OBLIGATIONS

The following is a summary of the long-term debt transactions of the Village for the year ended June 30, 2019:

	<u>Proprietary Fund</u>
	<u>DOTD</u>
	<u>Note Payable</u>
Note payable, July 1, 2018	\$ 125,535
Additions	-
Principal payments	(4,557)
Note payable, June 30, 2019	<u>\$ 120,978</u>

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 June 30, 2019:

	<u>Proprietary Fund</u>
	<u>DOTD</u>
	<u>Note payable</u>
Current portion	\$ -
Long-term portion	120,978
Total	<u>\$ 120,978</u>

Village of Simpson, Louisiana

Notes to the Financial Statements (Concluded)

Note payable at June 30, 2019 is comprised of the following individual issue:

Department of Transportation and Development (DOTD) note payable:

\$120,978 DOTD note payable Utility Relocation Project. DOTD furnished funding to the Village for the relocation of water lines on LA Hwy 8 in prior years. According to the agreement between the Village of Simpson and DOTD, this amount of funding is payable in one lump sum at the time DOTD bills the Village for the work performed. As of June 30, 2019, DOTD has only billed the Village \$4,557 for these funds during the current year.

REQUIRED SUPPLEMENTAL INFORMATION

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amount	Budget to Actual differences over (under)
	Original	Final		
Revenues				
Taxes:				
Franchise	\$ 15,000	\$ 17,294	\$ 17,201	\$ (93)
Hotel/motel	22,000	24,314	20,998	(3,316)
Occupational licenses and permits	7,000	18,400	18,493	93
Fines	500	5,017	5,017	-
Liquor licenses	-	60	60	-
Investment income	-	-	2	2
Rentals	14,500	13,200	14,400	1,200
Donations	-	50	-	(50)
Miscellaneous	200	-	111	111
Reimbursements	8,000	4,467	4,263	(204)
Total revenues	<u>\$ 67,200</u>	<u>\$ 82,802</u>	<u>\$ 80,545</u>	<u>\$ (2,257)</u>
Expenditures				
General government and administration	\$ 36,000	\$ 38,897	\$ 36,166	\$ 2,731
Public safety	31,000	30,867	34,233	(3,366)
Recreation	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	5,175	5,765	(590)
Total expenditures	<u>\$ 67,000</u>	<u>\$ 74,939</u>	<u>\$ 76,164</u>	<u>\$ (1,225)</u>
Net change in fund balance	\$ 200	\$ 7,863	\$ 4,381	\$ (3,482)
Fund balances at beginning of year	<u>100,000</u>	<u>100,636</u>	<u>100,636</u>	<u>-</u>
Fund balances at end of year	<u>\$ 100,200</u>	<u>\$ 108,499</u>	<u>\$ 105,017</u>	<u>\$ (3,482)</u>

OTHER SUPPLEMENTAL SCHEDULES

Schedule of Per Diem Paid to Board Members
For the Year Ended June 30, 2019

<u>Board Members</u>	<u>Compensation Paid</u>
Joseph Standifer	\$ 600
Lisa Thompson	300
Heather Parker	600
Devin Averitt	250
Total	<u>\$ 1,750</u>

Schedule of Compensation, Benefits and
Other Payments to Agency Head
For the Year Ended June 30, 2019

Agency Head Name - Vickie Standifer

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 1,200
Benefits - insurance	-
Benefits - retirement	-
Deferred compensation	-
Benefits - other	-
Car allowance	-
Vehicle provided by government	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other	-

OTHER REPORTS

Schedule of Prior Year Findings
For the Year Ended June 30, 2019

Finding – Financial Statement Audit

Audit Finding No. 2018-1

Budget Not Amended When Budget Variances Exceeded Allowable Limit

Condition: Actual expenditures in the general fund exceeded budgeted expenditures by 7.56% and the budget was not amended for the increase.

Criteria: The Louisiana Budget Act requires that anytime actual expenditures exceed budgeted expenditures by more than 5.00% the budget should be amended.

Cause and Condition: A major street repair at year end was not included in the amended budget.

Effect of Condition: Violation of the Louisiana Budget Act.

Recommendation: We recommend that the budget be more closely monitored and anytime that actual expenditures exceed budgeted expenditures by more than 5.00% the Mayor be notified and the budget presented to the board for amendment.

Date of initial occurrence - June 30, 2018

Corrective action taken - Yes

Schedule of Current Year Audit Findings and Management's Response
For the Year Ended June 30, 2019

There were no current year audit findings as of June 30, 2019.

Windham & Reed, L.L.C.

Certified Public Accountants

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John A. Windham, CPA
Charles M. Reed, Jr., CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

The Honorable Vickie Standifer, Mayor
and Members of the Board of Aldermen
Village of Simpson, 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 Village of Simpson, Louisiana as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Village of Simpson, Louisiana's basic financial statements, and have issued our report thereon dated December 19, 2019.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Simpson, Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Jerrill Windham, CPA". The signature is written in a cursive style with a large initial "J".

DeRidder, Louisiana
December 19, 2019