

**Town of Simmesport**  
**Annual Financial Statements**  
**As of and for the Year Ended**  
**June 30, 2012**

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

Release Date APR 03 2013

**DUCOTE & COMPANY**  
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**Marksville, LA 71351**

**TOWN OF SIMMESPORT, LOUISIANA  
Annual Financial Statements  
As of and for the year ended June 30, 2012**

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**TOWN OF SIMMESPORT, LOUISIANA**  
**Annual Financial Statements**  
**As of and for the year ended June 30, 2012**

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**INDEPENDENT AUDITORS' REPORT**

The Honorable Eric Rusk, Mayor  
And Members of the Council  
Town of Simmesport, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, of the Town of Simmesport, Louisiana, as of and for the year ended June 30, 2012, which collectively comprises the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town of Simmesport, Louisiana's management. Our responsibility is to express an opinion 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Simmesport, Louisiana, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Town of Simmesport, Louisiana, will continue as a going concern. As presented in the financial statements, the Town of Simmesport had a \$112,870 deficit fund balance in the General Fund at June 30, 2012. As discussed in Note 17 of the financial statements, the Town of Simmesport's expenditures exceed revenues by approximately \$40,000 for the six-month period ended December 31, 2012. These conditions, among others disclosed in Note 17 and noted in the current year findings, raise substantial doubt about the Town's ability to continue as a going concern. Management's plans regarding these matters are also disclosed in Note 17. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2013, on our consideration of the Town of Simmesport'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 35 through 36 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Simmesport, Louisiana's financial statements as a whole. The combining and individual nonmajor fund statements and schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



**DUCOTE & COMPANY**

Marksville, Louisiana

January 7, 2013

**REQUIRED SUPPLEMENTAL INFORMATION (PART I)**  
**Management's Discussion and Analysis**

**Town of Simmesport, Louisiana**  
**Management's**  
**Discussion and Analysis**  
**June 30, 2012**

This discussion and analysis is intended to be an easily readable analysis of the Town of Simmesport's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow:

**Report Layout**

With the implementation of Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Government's," a government's presentation of financial statements has been greatly changed. Besides the Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, combining schedules of non-major funds and supplementary information. The first several statements are highly condensed and present a government-wide view of the Town's finances. Within this view, all Town operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as police, fire, public works, parks and recreation, community development and general government administration. The sales tax fund is also included in the governmental activities. The Town's other activities of water and sewer and gas operations are reported within the business-type activities. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the Town.

**Basic Financial Statements**

- The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the community owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. For the first time, governmental activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long reported capital assets and long-term liabilities. Also, for the first time, governmental activities are reported on the accrual basis of accounting.
- The Statement of Activities focuses on gross and net costs of town programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major governmental funds and proprietary funds. The Town's major governmental funds are presented in their own column and the remaining funds are combined into a column titled "Other Governmental Funds." A budgetary comparison is presented for the general fund, sales tax fund and the Capital Projects Fund. Statements for the Town's proprietary funds follow the governmental funds and include net assets, revenue, expenses and changes in net assets, and cash flow.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Town's financial condition.

Readers desiring additional information on non-major funds can find it in the Combining Statements of Non-major Funds section of this report. Completing the financial section of the report are schedules on capital assets and other financial schedules.

The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior years. Significant changes from the prior year are explained in the following paragraphs.

***Government-wide Financial Statements***

Because this is the first year to report governmental activities on the new standard, comparison to the prior year is not possible. In subsequent years, this section will discuss and analyze significant differences. A condensed version of the Statement of Net Assets at June 30, 2012 follows:

**Net Assets at Year-end**

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Total Government</u></b>
Cash and Investments	\$ 91,509	\$ 77,532	\$ 169,041
Other assets	78,963	212,895	291,858
Capital assets	<u>998,288</u>	<u>1,646,511</u>	<u>2,644,799</u>
Total assets	1,168,760	1,936,938	3,105,698
Other liabilities	249,410	145,963	395,373
Long-term liabilities	<u>78,000</u>	<u>55,914</u>	<u>133,914</u>
Total liabilities	<u>327,410</u>	<u>201,877</u>	<u>529,287</u>
Net assets			
Investment in capital assets, Net of related debt	873,981	1,587,400	2,441,381
Restricted-Assigned fund balance	80,239	20,668	100,907
Unrestricted	<u>(112,870)</u>	<u>146,993</u>	<u>34,123</u>
Total net assets	<u>\$ 841,350</u>	<u>\$ 1,735,061</u>	<u>\$ 2,576,411</u>

During the year ended June 30, 2012, the General Fund incurred deficit spending resulting in a deficit fund balance. Overall the Governmental Activities net assets decreased by \$80,146 and the Business-type Activities net assets decreased by \$49,621, for an overall net decrease of \$129,767, which is comprised mostly of a decrease in cash and investments and a decrease in other assets, capital assets net of an increase in liabilities.



A condensed version of the Statement Activities follows:

**Governmental and Proprietary Activities  
For the year ended June 30, 2012**

<b>Program Revenues:</b>			
Charges for services	\$ 68,952	\$ 619,565	\$ 688,517
<b>General Revenues:</b>			
Taxes	363,308	-	363,308
Franchise fees	95,165	-	95,165
Licenses and permits	79,385	-	79,385
Intergovernmental	96,320	-	96,320
Unrestricted investment earnings	244	215	459
Rental income	5,340	-	5,340
Miscellaneous	48,910	-	48,910
Grant revenue	-	104,276	104,276
Transfers	(25,400)	25,400	-
<b>Total revenues and transfers</b>	<b>732,224</b>	<b>749,456</b>	<b>1,481,680</b>
<b>Expenses</b>			
General government	301,681	-	301,681
Public safety	311,985	-	311,985
Streets and bridges	205,509	-	205,509
Utility services-Water and Sewer	-	548,860	548,860
Utility services-Gas Operations	-	250,520	250,520
Interest and fiscal charges	5,775	-	5,775
<b>Total Expenses</b>	<b>824,930</b>	<b>799,380</b>	<b>1,624,310</b>
<b>Increase (Decrease) in net assets</b>	<b>\$ (92,705)</b>	<b>\$ (49,924)</b>	<b>\$ (142,629)</b>

**Governmental activities.**

Governmental program expenses decreased over the prior year by \$602,646, and governmental revenues increased by \$699,338 over the prior year primarily as a result of non-recurring revenue and corresponding expenses associated with capital projects activity in 2011. The sales tax fund revenues decreased by \$12,724, over the prior year. The Town experienced an increase in recurring expenditures largely due to increased salaries, fuel, insurance and utility costs. In addition, the Town incurred \$113,668, in capital outlay expenditures.

**Business-type activities.**

The water and sewer fund had an operating net loss of \$(138,471), while the natural gas fund also had an operating net loss for the year of \$(41,531), before nonoperating revenues and expenses and any transfers in/out to other funds. Transfers in from the sales tax fund were made for \$25,400 to the water and sewer fund to fund the transfers required into the sinking and reserve fund for the 2011 Sewer Revenue Bonds.

## Budgetary Highlights

Over the course of the year the Town Council made revisions to the general fund operating budget, sales tax or the debt service fund budget. In total, the general fund's expenditures were \$230,781, more than budgeted and revenues were \$12,264 less than budgeted. The overall net variance was \$234,043 in excess expenditures. Other financing sources including transfers in were \$46,900 more than budgeted for a total unfavorable budget variance of \$196,143 in the general fund. The sales tax revenues were \$15,027 less than budgeted. Net of operating transfers out, the sales tax fund ended the year with an overall unfavorable budget variance of \$80,720.

## Capital Assets and Debt Administration

### Capital Assets

At June 30, 2012, the Town had \$6,787,040 invested in capital assets, including police equipment, park and recreation facilities, buildings, and water, sewer and gas lines and construction in progress on the sewer improvement project. This amount represents a net increase for the year of approximately \$198,474 (current year additions net of deletions).

	Capital Assets at Year-End					
	Governmental Activities		Business-Type Activities		Totals	
	2011	2012	2011	2012	2011	2012
Land	\$ 24,786	\$ 24,786	\$ 17,836	\$ 17,836	\$ 17,836	\$ 42,422
Building and Improvements	500,355	614,843	-	-	500,355	614,843
Machinery and Equipment	1,475,498	1,516,541	-	-	1,475,498	1,516,541
Utility Plant and Equipment	-	-	4,570,291	4,613,234	4,570,291	4,613,234
Subtotal	2,000,639	2,156,170	4,587,927	4,630,870	6,588,566	6,787,040
Accumulated depreciation	1,067,818	1,157,882	2,881,204	2,984,359	3,949,022	4,142,241
Capital assets, net	\$ 932,821	\$ 998,288	\$ 1,706,723	\$ 1,646,511	\$ 2,639,544	\$ 2,644,799

### Debt Outstanding

At year-end, the Town had a total debt outstanding of \$203,428. This amount consisted of one sales tax bond issues and certificates of indebtedness totaling \$115,000, one revenue bond payable totaling \$77,914 and three capital leases totaling \$10,504. This represents an overall net decrease in debt over the previous year of \$4,284. More detailed information on the Town's long-term liabilities is presented in the notes to the financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

The Town is projecting excess expenditures in the General Fund of \$202,450, before transfers in from the sales tax and water and sewer funds of \$250,000 for the fiscal year ending June 30, 2012, leaving a projected surplus of \$47,550 after other transfers in and out. The projected operating net income (loss) for the water and sewer fund is \$10,825 and for the natural gas fund \$(10,200), before any transfers to or from other funds. The overall outlook for 2012 is projected to be somewhat of a struggle to keep up with increasing costs and overcoming the prior year deficit in the general fund. The administration is working very hard to minimize expenses, sell property to generate revenue and cut back on salaries in order to stay within the operational budgets for the fiscal year.

### **Financial Contact**

The Town's financial statements are designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the revenues it receives. If you have any questions about this report or need additional financial information, please contact Vernell Franklin, the Town Clerk at P. O. Box 145, Simmesport, LA 71369.

**BASIC FINANCIAL STATEMENTS**

**TOWN OF SIMMESPORT, LOUISIANA  
STATEMENT OF NET ASSETS  
JUNE 30, 2012**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and interest-bearing deposits	\$91,509	\$23,639	\$115,148
Receivables:			
Utility and other receivables	57,652	58,698	116,350
Due from other governments	21,312	0	21,312
Accrued interest	0	104	104
Due from other funds	0	154,093	154,093
Restricted assets:			
Cash and cash equivalents	0	23,652	23,652
Investments	0	30,241	30,241
Capital assets (net of accumulated depreciation)	<u>998,288</u>	<u>1,646,511</u>	<u>2,644,799</u>
<b>TOTAL ASSETS</b>	<u><b>\$1,168,760</b></u>	<u><b>\$1,936,938</b></u>	<u><b>\$3,105,698</b></u>
<b>LIABILITIES</b>			
Accounts Payable	\$22,105	\$34,828	\$56,933
Accrued expenses	15,579	0	15,579
Due to other funds	185,419	23,524	188,943
Lease payable	0	1,198	1,198
Payables from restricted assets:			
Utility deposits	0	64,414	64,414
Current portion of long-term debt	46,307	22,000	68,306
Long term bonds payable	<u>78,000</u>	<u>55,914</u>	<u>133,914</u>
<b>TOTAL LIABILITIES</b>	<u><b>327,410</b></u>	<u><b>201,877</b></u>	<u><b>529,287</b></u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	873,981	1,568,597	2,442,579
Restricted for debt service	53,860	20,668	74,528
Unrestricted	<u>(88,491)</u>	<u>145,788</u>	<u>59,304</u>
<b>TOTAL NET ASSETS</b>	<u><b>\$841,350</b></u>	<u><b>\$1,735,061</b></u>	<u><b>\$2,576,411</b></u>

The accompanying notes are an integral part of this financial statement.

**TOWN OF SIMMESPORT, LOUISIANA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

—Net (Expenses) Revenue and Change in Net Assets—

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>ACTIVITIES</b>					
<b>Governmental activities:</b>					
General government	\$301,681	\$0	\$(301,681)	0	\$(301,681)
Public safety:			0	0	0
Police	309,500	68,952	(240,548)	0	(240,548)
Fire	2,485	0	(2,485)	0	(2,485)
Streets and bridges	205,509	0	(205,509)	0	(205,509)
Interest and fiscal charges	5,775	0	(5,775)	0	(5,775)
<b>Total Governmental Activities</b>	<u>824,929</u>	<u>68,952</u>	<u>(755,977)</u>	<u>0</u>	<u>(755,977)</u>
<b>Business-type activities:</b>					
Water and Sewer	548,860	410,389	0	(138,471)	(138,471)
Gas Operations	250,520	209,176	0	(41,343)	(41,343)
<b>Total Business-type Activities</b>	<u>799,379</u>	<u>619,565</u>	<u>0</u>	<u>(179,814)</u>	<u>(179,814)</u>
<b>Total Town of Simmesport</b>	<u>1,624,309</u>	<u>688,518</u>	<u>(755,977)</u>	<u>(179,814)</u>	<u>(935,791)</u>
<b>GENERAL REVENUES</b>					
Taxes			363,308	0	363,308
Franchise Fees			95,165	0	95,165
Licenses and permits			79,385	0	79,385
Intergovernmental			96,320	0	96,320
Unrestricted investment earnings			244	215	459
Miscellaneous			48,910	0	48,910
Rental Income			5,340	0	5,340
Grant revenue			0	104,276	104,276
Transfers, net			(25,400)	25,400	0
<b>Total general revenues, special items and transfers</b>			<u>863,272</u>	<u>129,891</u>	<u>793,162</u>
<b>Change in net assets</b>			<u>(92,705)</u>	<u>(49,924)</u>	<u>(142,629)</u>
<b>Net assets beginning of year</b>			<u>834,055</u>	<u>1,784,965</u>	<u>2,719,040</u>
<b>Net assets end of year</b>			<u>\$841,350</u>	<u>\$1,735,061</u>	<u>\$2,576,411</u>

The accompanying notes are an integral part of this financial statement.

**TOWN OF SIMMESPORT, LOUISIANA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS AND**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Non-Major Governmental Debt Service</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and interest-bearing deposits	\$32,103	\$5,545	\$53,860	\$91,508
Receivables:				
Taxes	29,015	28,637	0	57,652
Accrued interest	0	0	0	0
Due from other governments	<u>21,312</u>	<u>0</u>	<u>0</u>	<u>21,312</u>
<b>TOTAL ASSETS</b>	<u>\$82,430</u>	<u>\$34,182</u>	<u>\$53,860</u>	<u>\$170,471</u>
<b>LIABILITIES</b>				
Accounts payable	\$21,737	\$368	\$0	\$22,105
Accrued expenses	15,579	0	0	15,579
Due to other funds	<u>157,983</u>	<u>7,438</u>	<u>0</u>	<u>165,419</u>
<b>TOTAL LIABILITIES</b>	<u>195,300</u>	<u>7,804</u>	<u>0</u>	<u>203,104</u>
<b>FUND BALANCE</b>				
Restricted	0	0	53,860	53,860
Assigned	0	26,378	0	26,378
Unassigned	<u>(112,870)</u>	<u>0</u>	<u>0</u>	<u>(112,870)</u>
<b>TOTAL FUND BALANCE</b>	<u>(112,870)</u>	<u>26,378</u>	<u>53,860</u>	<u>(32,632)</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$82,430</u>	<u>\$34,182</u>	<u>\$53,860</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	2,156,170
Less: accumulated depreciation	(1,157,882)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(124,306)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<u>\$841,350</u>

The accompanying notes are an integral part of this financial statement.

**TOWN OF SIMMESPORT, LOUISIANA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012**

	General Fund	Sales Tax Fund	Non-Major Governmental Fund Debt Service	Totals Governmental Funds
<b>REVENUES</b>				
Taxes	\$32,964	\$330,344	\$0	\$363,308
Licenses	79,385	0	0	79,385
Intergovernmental	96,320	0	0	96,320
Fines	68,952	0	0	68,952
Franchise Fees	95,165	0	0	95,165
Interest Income	0	30	215	244
Rental Income	5,340	0	0	5,340
Miscellaneous	48,910	0	0	48,910
<b>TOTAL REVENUES</b>	<b>427,036</b>	<b>330,373</b>	<b>215</b>	<b>757,624</b>
<b>EXPENDITURES</b>				
General government	273,127	6,960	0	280,087
Public safety - Police	297,574	0	0	297,574
Public safety - Fire	2,465	0	0	2,465
Streets and drainage	162,211	0	0	162,211
Capital outlay	113,688	0	0	113,688
Debt service	20,219	0	40,775	60,994
<b>TOTAL EXPENDITURES</b>	<b>869,283</b>	<b>6,960</b>	<b>40,775</b>	<b>917,018</b>
Excess (deficiency) of revenues over expenditures	(442,247)	323,413	(40,560)	(159,394)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	326,900	30,000	15,124	372,024
Operating transfers out	(5,000)	(362,424)	(30,000)	(397,424)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>321,900</b>	<b>(332,424)</b>	<b>(14,876)</b>	<b>(25,400)</b>
Excess (deficiency) of revenues over expenditures and other sources (uses)	(120,347)	(9,011)	(55,436)	(184,794)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>7,477</b>	<b>35,389</b>	<b>109,286</b>	<b>152,162</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$(112,870)</b>	<b>\$26,378</b>	<b>\$53,860</b>	<b>\$(32,632)</b>

The accompanying notes are an integral part of this financial statement.



**TOWN OF SIMMESPORT, LOUISIANA  
RECONCILIATION OF THE STATEMENT OF REVENUES  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

**Net change in fund balances - Governmental Funds** **\$(184,794)**

The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$76,818). This expense exceeded capital expenditures net of disposals of (\$117,886) in the current period. 40,868

Debt service payments are deducted as expenditures in the current year. On the statement of activities debt payments are not deducted since they reduce the liability on the statement of net assets. Debt payments for the current year are added back to reconcile to the net change in assets. 51,221

**Change in net assets of governmental activities** **\$(92,705)**

The accompanying notes are an integral part of this financial statement.

**TOWN OF SIMMESPORT, LOUISIANA**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**JUNE 30, 2012**

	<u>Water &amp; Sewer System</u>	<u>Natural Gas System</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$22,859	\$780	\$23,639
Receivables:			
Accrued interest	24	80	104
Utility and other receivables	45,490	13,208	58,698
Due from other funds	154,093	0	154,093
Restricted assets:			
Cash and cash equivalents	12,538	11,114	23,652
Investments	6,700	23,541	30,241
Fixed assets			
Land	17,638	0	17,638
Plant and equipment	3,584,471	1,028,783	4,613,234
Accumulated depreciation	<u>(2,147,219)</u>	<u>(837,140)</u>	<u>(2,984,359)</u>
<b>TOTAL ASSETS</b>	<b><u>\$1,696,592</u></b>	<b><u>\$240,347</u></b>	<b><u>\$1,936,939</u></b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
Accounts payable	\$26,941	\$7,887	\$34,828
Due to other funds	0	23,524	23,524
Lease payable	1,198	0	1,198
Revenue bond payable	77,914	0	77,914
Payable from restricted assets -			
Utility deposits	<u>19,238</u>	<u>45,178</u>	<u>64,414</u>
<b>Total Liabilities</b>	<b><u>125,290</u></b>	<b><u>76,587</u></b>	<b><u>201,877</u></b>
<b><u>NET ASSETS</u></b>			
Investment in capital assets			
net of related debt	1,376,778	191,823	1,567,400
Retained earnings			
Restricted for debt service	20,668	0	20,668
Unassigned	<u>174,857</u>	<u>(27,864)</u>	<u>146,993</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$1,571,302</u></b>	<b><u>\$163,759</u></b>	<b><u>\$1,735,061</u></b>

The accompanying notes are an integral part of this financial statement.

**TOWN OF SIMMESPORT, LOUISIANA  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Water &amp; Sewer System</u>	<u>Natural Gas System</u>	<u>Total</u>
<b><u>OPERATING REVENUES</u></b>			
Charges for services -			
Water services	\$235,569	\$0	\$235,569
Sewer services	160,565	0	160,565
Natural gas sales	0	202,800	202,800
Penalties and service charges	<u>14,255</u>	<u>6,378</u>	<u>20,631</u>
<b>TOTAL OPERATING REVENUES</b>	<u>410,389</u>	<u>209,178</u>	<u>619,565</u>
<b><u>OPERATING EXPENSES</u></b>			
General government	58,891	50,613	107,504
Water system	177,017	0	177,017
Sewer system	314,951	0	314,951
Natural gas system	<u>0</u>	<u>199,907</u>	<u>199,907</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>548,860</u>	<u>250,520</u>	<u>799,379</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(138,471)</u>	<u>(41,343)</u>	<u>(179,814)</u>
<b><u>NONOPERATING REVENUES (EXPENSES):</u></b>			
Grant revenue	104,276	0	104,276
Interest income	<u>180</u>	<u>35</u>	<u>215</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>104,456</u>	<u>35</u>	<u>104,491</u>
Income (loss) before operating transfers	<u>(34,015)</u>	<u>(41,308)</u>	<u>(75,324)</u>
<b><u>OPERATING TRANSFERS IN (OUT):</u></b>			
Operating transfers in (out)	<u>25,400</u>	<u>0</u>	<u>25,400</u>
<b>TOTAL OPERATING TRANSFERS</b>	<u>25,400</u>	<u>0</u>	<u>25,400</u>
<b>NET INCOME (LOSS)</b>	<u>(8,615)</u>	<u>(41,309)</u>	<u>(49,924)</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,579,916</u>	<u>205,088</u>	<u>1,784,985</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$1,571,302</u>	<u>\$163,759</u>	<u>\$1,735,061</u>

The accompanying notes are an integral part of this financial statement.

**TOWN OF SIMMESPORT, LOUISIANA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	Water and Sewer Fund	Natural Gas Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$415,598	\$212,783	\$628,359
Payments to suppliers	(277,473)	(148,248)	(425,719)
Payments to employees for salaries and benefits	(205,813)	(82,355)	(288,168)
<b>Net cash provided by operating activities</b>	<u>(67,690)</u>	<u>(17,838)</u>	<u>(85,528)</u>
<b>Cash flows from capital and related financing activities:</b>			
Purchase of capital assets	(42,948)	0	(42,948)
Nonoperating grant revenues	104,276	0	104,276
Operating transfers in (out) from other funds	25,400	0	25,400
Increase (decrease) in due (from) to other funds	(50,892)	(438)	(51,430)
Increase (decrease) in revenue bonds payable	48,050	0	48,050
<b>Net cash provided by/(used) for capital and related financing activities</b>	<u>83,788</u>	<u>(438)</u>	<u>83,350</u>
<b>Cash flows from investing activities:</b>			
Interest received from interest bearing deposits	180	35	215
Net (increase) decrease in restricted cash	3,616	17,101	20,717
<b>Net cash provided by/(used) for investing activities</b>	<u>3,796</u>	<u>17,136</u>	<u>20,932</u>
Net increase (decrease) in cash and cash equivalents	19,894	(1,140)	18,754
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>2,965</u>	<u>1,920</u>	<u>4,885</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$22,859</u>	<u>\$780</u>	<u>\$23,639</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (loss)	\$(138,471)	\$(41,343)	\$(179,814)
Depreciation	78,770	24,389	103,159
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	5,172	3,534	8,708
(Increase) decrease in other receivables	15	53	68
Increase (decrease) in accounts payable	3,298	2,109	5,407
Increase (decrease) in customer deposits	(3,816)	(6,580)	(10,196)
Increase (decrease) in capital lease payable	(12,858)	0	(12,858)
<b>Net cash provided by/(used) for operating activities</b>	<u>\$(67,690)</u>	<u>\$(17,838)</u>	<u>\$(85,528)</u>

The accompanying notes are an integral part of this financial statement.

**TOWN OF SIMMESPORT, LOUISIANA  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012**

<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$3,365
Due from other funds	<u>34,850</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$38,216</u></u></b>
<b><u>LIABILITIES</u></b>	
Accounts payable	<u>\$38,216</u>
<b>TOTAL LIABILITIES</b>	<b><u>38,216</u></b>
<b>NET ASSETS</b>	<b><u><u>\$0</u></u></b>

The accompanying notes are an integral part of this financial statement.

**TOWN OF SIMMESPORT, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**INTRODUCTION**

The Town of Simmesport (Town) was incorporated in 1925, under the provisions of the Lawrason Act; the Town began operating under a Mayor-Council form of government.

The accounting and reporting policies of the Town of Simmesport 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 industry audit guide, Audits of State and Local Governmental Units.

Financial Reporting Entity.

Government Accounting Standards Board Statement (GASB) 14 established criteria for determining which component units should be considered part of the Town of Simmesport, Louisiana for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body, and;
  - a. The ability of the Town to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations, to which the Town does not appoint a voting majority, but are fiscally dependent on the Town.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature of significance of the relationship.

Based upon the application of the foregoing criteria, the volunteer fire department as a governmental organization is not considered a part of the Town and is thus excluded from the accompanying financial statements. This organization is staffed by volunteers and although the Town may provide facilities and some of its financing, no control is exercised over its operations. These financial include only expenditures paid or incurred directly by the Town.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

**A. Implementation of New Accounting Standards.**

For the fiscal year ended June 30, 2012, the Town of Simmesport, Louisiana implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis-for State and Local Governments* (GASB 34). This statement affects the manner in which the Town records transactions and presents financial information.

State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports. GASB 34 establishes new requirements and a new reporting model, much like private-sector financial reports, for the annual financial reports of state and local governments. The new format was developed to make annual reports of state and local governments easier to understand and more useful to users of governmental financial information.

*Management's Discussion and Analysis*-GASB 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the Town's financial activities in the form of management's discussion and analysis (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

**TOWN OF SIMMESPORT, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS, (Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Government-Wide Financial Statements*-The reporting model includes financial statements prepared using full accrual accounting for all the Town's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. Government-wide financial statements including the following:

*Statement of Net Assets*-The statement of net assets is designed to display the financial position of the Primary Government (governmental and business-type activities). The Town reports capital assets in the government-wide statement of net assets and reports depreciation expense-the cost of "using up" capital assets-in the statement of activities. The net assets of the Town are broken down into three categories-1) Invested in capital assets, net of related debt; 2) restricted; and unrestricted.

*Statement of Activities*-The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the Town's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the Town had recorded capital assets and certain other long-term assets and liabilities in the statement of net assets and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

**B. Basic Financial Statements.**

Basic financial statements consist of the following:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the basic financial statements.

The government-wide financial statements consist of the statement of net assets and the statement of activities and report information on all of the nonfiduciary activities of the Primary Government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net assets have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. In the statement of activities, transactions between governmental and business-type activities have not been eliminated.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety (police, fire and city court), streets and bridges, health and sanitation and public improvements. The business-type activities of the Town include water, wastewater and gas operations.

**TOWN OF SIMMESPORT, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS, (Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. 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 activity, and 2) grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. 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 are the proprietary funds and fiduciary funds financial statements. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town in general considers revenues available if they are collected within 180 days after year-end, except for property taxes, which the Town considers available if they are collected within 60 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

For the governmental funds financial statements, the Town consider all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically sales taxes, franchise taxes, licenses, interest, special assessments, charges for services, and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and are recorded at the time of receipt or earlier, if the susceptible to accrual criteria are met.

The accounts of the Town are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstration compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Town reports the following major governmental funds:

The General Fund is the municipality's primary fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.



**TOWN OF SIMMESPORT, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS, (Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

Debt service funds are used to account for the accumulation of resources retained and used for the payment of principal, interest, and related costs on those long-term obligations recorded in the general long-term obligations account group.

Capital projects funds are used to account for financial resources to be used for acquisition or construction of major capital facilities (other than those financed in the proprietary funds and trust funds).

The Town reports the following major proprietary funds:

Utility funds are used to account 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 users 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. The Town of Simmesport's enterprise funds are the Water and Wastewater Utility Fund and the Gas Utility Fund.

Additionally, the Town reports the following fund types:

Fiduciary funds, which consist solely of Agency funds, account for assets held by the Town as a trustee or as an agent for individuals or other governmental units. The only fiduciary fund type used by the Town is the Agency Fund type. Agency funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The funds account for assets held by the Town in an agency capacity for individuals or other governmental units.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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

**TOWN OF SIMMESPORT, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS, (Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgets and Budgetary Accounting.**

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

1. The Mayor and Town Clerk prepare a proposed budget and submit it to the Board of Aldermen not later than fifteen days prior to the beginning of each fiscal year.
2. A notice 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 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 a resolution 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 of function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device. Annual budgets are adopted for the General Fund, Sales Tax, Debt Service, Capital Projects Funds (if any) and the Enterprise Funds. The Town maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the Mayor and Board of Aldermen. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is within a fund. Budgeted amounts presented are as originally adopted and as further amended by the Board of Aldermen.

**E. Deposits and Investments.**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Town's investment policy allow the Town to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal officers in Louisiana. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost, which approximates market.

**F. Cash Flow Presentation.**

For the purpose of the statement of cash flows, the Enterprise Funds (Water & Sewer System Utility Fund and Gas Utility Fund) consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**G. Bad Debts.**

Uncollectible amounts due for ad valorem taxes and customers' utility receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. No allowance for uncollectible amounts was made due to the immateriality at June 30, 2012.

**TOWN OF SIMMESPORT, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS, (Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Due to and Due from Other funds**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

**I. Long-Term Debt**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Long-Term obligations of the Town consisted of a 2004 Sales Tax Bond Issue, and two capital leases at June 30, 2012.

**J. Accumulated Unpaid Vacation and Other Employee Benefits.**

Town employees are eligible for vacation or sick leave in accordance with the Town's Employee Handbook & Policy Manual adopted in December 2009. The policy does not allow for accumulation of vacation if not used in the year granted. Sick leave is lost upon separation from employment therefore there are no accumulations of such absences to be accrued as a liability in these financial statements. It is the Town's policy to recognize the costs of compensated absences when actually paid to employees.

At June 30, 2012, vested leave benefits have not been accrued as required by GASB Statement No. 16 "Accounting for Compensated Absences", due to immateriality.

**K. Capital Assets**

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated 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 cost 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

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

	<u>Years</u>
Land Improvements (Infrastructure)	10 - 50
Building and building improvements	20 - 50
Service vehicles and moveable equipment	7 - 15
Heavy equipment	10 - 20
Office furniture and fixtures	5 - 10

The proprietary funds are accounted for on a cost of service or "capital maintenance" measurement focus, and all assets and all liabilities (whether current or noncurrent) associated with its activity are included on its balance sheet.

**TOWN OF SIMMESPORT, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS, (Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method over the following useful lives:

	<u>Water and Sewer System</u>	<u>Natural Gas System</u>
Water wells	40	-
Lines and meters	40	33
Pumps, Motors and Compressors	40	33
Service Vehicles and Moveable Equip	5	5
Office Furniture & Fixtures	5	5

All fixed assets are stated at historical cost (cash plus trade-in allowances, if applicable). Donated fixed assets, if any, are stated at their estimated fair value on the date donated.

**L. Fund Equity of Fund Financial Statements**

The town adopted the provisions of GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended June 30, 2012. GASB 54 requires the fund balance amounts to be reported within the fund balance categories as follows:

**Non-spendable** – Fund balance that is not in spendable form or is legally or contractually required to be maintained intact. This category includes items that are not easily converted to cash such as inventories or prepaid items.

**Restricted** – Fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

**Committed** - Fund balance that can only be used for specific purposes determined by the Town's highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit the funds. Committed fund balance is the result of either a policy of the Town or motions passed at a Town meeting committing the funds.

**Assigned** - Fund balance that is constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Town.

**Unassigned** – Fund balance that is the residual classification for the general fund.

**M. Estimates**

The preparation of the 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 support and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2. CASH AND CASH EQUIVALENTS**

Under state law, the Town may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Town may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At June 30, 2012, the Town had cash and cash equivalents (book balance) totaling \$172,406 as follows:

Demand deposits	\$ 142,165
Time deposits	30,241
Total	<u>\$ 172,406</u>

**TOWN OF SIMMESPORT, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS, (Continued)**

**NOTE 2. CASH AND CASH EQUIVALENTS (Continued)**

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town's deposits may not be recovered or will not be able to recover collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balance) must be secured by federal deposit insurance or similar federal security 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 Town or the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Deposit balances (bank balances) at June 30, 2012, are secured as follows:

Federal deposit insurance	\$ 184,201
Pledged securities	-
Total	<u>\$ 184,201</u>

As of June 30, 2012, the Town's total bank balances were fully insured by Federal Deposit Insurance.

**NOTE 3. INVESTMENTS**

At June 30, 2012, the Town held investments totaling \$30,241 in 180 day certificates of deposit. These investments are stated at cost, which approximate market, and are secured from risk by federal deposit insurance (see note 2).

**NOTE 4. RECEIVABLES**

Receivables totaling \$109,890 in the general fund consisted of the following at June 30, 2012:

<b>Other receivables</b>	
Franchise fees	\$ 27,223
Ad Valorem Taxes	1,401
NSF checks	<u>392</u>
Total	<u>\$ 29,016</u>
 <b>Due from other governments</b>	
Video Poker Revenue	\$ 12,742
Casino Gaming Revenue	7,133
Beer Tax	1,437
State of Louisiana - DOTD	-
Total	<u>\$ 21,312</u>

Sales tax collections receivable in the amount of \$28,637 are reflected in the sales tax fund.

**TOWN OF SIMMESPORT, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS, (Continued)**

**NOTE 4. RECEIVABLES (Continued)**

In the enterprise fund unbilled utility receivables were immaterial at June 30, 2012. Billed receivables balances at June 30, 2012, consisted of the following:

	Water and Sewer System	Natural Gas System	Totals
<u>Utility Billings</u>			
Current billings	\$ 36,443	\$ 8,752	\$ 45,195
Over 30 days	9,047	4,456	13,503
	<u>\$ 45,490</u>	<u>\$ 13,208</u>	<u>\$ 58,698</u>

**NOTE 5. RESTRICTED ASSETS – PROPRIETARY FUND TYPE**

Restricted assets were applicable to the following at June 30, 2012:

Customer Meter Deposits \$53,893

Customer Meter Deposits exceeded the amount held in cash by \$10,521 in the Natural Gas Fund.

**NOTE 6. INTERFUND RECEIVABLES, PAYABLES**

The following is a summary of interfund receivable and payable balances at June 30, 2012:

	Interfund <u>Receivables</u>	Interfund <u>Payables</u>
General Fund	\$ -	\$ 157,983
Sales Tax Fund	-	7,436
Enterprise Funds	154,093	23,524
Agency Fund	34,850	-
Totals	<u>\$ 188,943</u>	<u>\$ 188,943</u>

**NOTE 7. CHANGES IN AGENCY FUND**

The following is a summary of changes in assets and liabilities of the Agency Fund for the year ended June 30, 2012:

	Balance <u>7/1/2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2012</u>
<b>Assets</b>				
Cash	\$ 1,725	\$ 1,196,200	\$ 1,194,560	\$ 3,365
Due from other funds	123,932	1,100,848	1,189,930	34,850
	<u>\$ 125,657</u>	<u>\$ 2,297,048</u>	<u>\$ 2,384,490</u>	<u>\$ 38,216</u>
<b>Liabilities</b>				
Payables	\$ 22,557	\$ 267,151	\$ 251,492	\$ 38,216
Due to other funds	103,101	-	103,101	-
	<u>\$ 125,658</u>	<u>\$ 267,151</u>	<u>\$ 354,593</u>	<u>\$ 38,216</u>

**TOWN OF SIMMESPORT, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS, (Continued)**

**NOTE 8. CAPITAL ASSETS** Capital assets and depreciation activity as of and for the year ended June 30, 2012, are as follows:

	<u>7/1/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2012</u>
<b>Governmental activities</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 24,786	\$ -	\$ -	\$ 24,786
<b>Capital assets being depreciated:</b>				
Building and Improvements	\$ 500,355	\$ 114,488	\$ -	\$ 614,843
Machinery and equipment	1,513,340	3,200	0	1,516,540
Total capital assets being depreciated	\$ 2,013,695	\$ 117,688	\$ -	\$ 2,131,383
<b>Less accumulated depreciation for:</b>				
Building and Improvements	\$ 173,901	\$ 13,743		\$ 187,644
Machinery and equipment	907,162	63,075	-	970,237
Total accumulated depreciation	\$ 1,081,063	\$ 76,818	\$ -	\$ 1,157,881
Total government assets being depreciated, net	\$ 932,632			\$ 973,502

For the year ended June 30, 2012, depreciation expense was \$76,818.

**Business-type activities:**

**Capital assets not being depreciated:**

Land	\$ 17,636	\$ -	\$ -	\$ 17,636
Construction in progress	-	42,947	-	42,947
	\$ 17,636	\$ 42,947	\$ -	\$ 60,583

**Capital assets being depreciated:**

Water system plant and equipment	\$ 1,267,871	\$ -	\$ -	\$ 1,267,871
Sewer system plant and equipment	2,273,658	-	-	2,273,658
Gas system plant and equipment	1,028,763	-	-	1,028,763
Total capital assets being depreciated	\$ 4,570,292	\$ -	\$ -	\$ 4,570,291

**Less accumulated depreciation for:**

Water system plant and equipment	\$ 1,147,769	\$ 17,982	\$ -	\$ 1,165,751
Sewer system plant and equipment	920,429	60,788	-	981,217
Gas system plant and equipment	813,006	24,389	-	837,395
Total accumulated depreciation	\$ 2,881,204	\$ 103,159	\$ -	\$ 2,984,363
Total Business-type assets being depreciated, net	\$ 1,689,088			\$ 1,585,928

For the year ended June 30, 2012, depreciation expense was \$ 103,159 .

**TOWN OF SIMMESPORT, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS, (Continued)**

**NOTE 9. CHANGES IN LONG-TERM DEBT**

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2012:

	<u>General Obligation</u>	<u>Revenue Bonds</u>	<u>Capital Leases</u>	<u>Total</u>
Payable at 6/30/2011	\$ 150,000	\$ 29,863	\$ 27,849	\$ 207,712
Add: New Debt Issued	-	48,051	-	48,051
Less: Payments Made	<u>35,000</u>	<u>-</u>	<u>17,345</u>	<u>52,345</u>
Payable at 6/30/2012	<u>\$ 115,000</u>	<u>\$ 77,914</u>	<u>\$ 10,504</u>	<u>\$ 203,418</u>

The Town had only one debt issue payable at June 30, 2012, which is secured by excess general fund revenues and proceeds of the 1% sales tax as follows:

<u>General Obligation Debt</u>	<u>Outstanding Balance</u>
\$362,000 - 2004 Sales Tax Bonds dated April 8, 2004 (refunding of bonds dated March 13, 1990), due in annual installments of \$28,000 to \$40,000 with interest of 3.85%; matures March 1, 2015	<u>\$ 115,000</u>

A total of \$53,860 is available in the Debt Service Fund to service the General Obligation Debt.

The annual requirements to amortize all debt outstanding as of June 30, 2012, including interest payments of \$8,970 are as follows:

<u>Year Ending June 30</u>	
2013	41,427
2014	41,003
2015	<u>41,540</u>
	<u>\$ 123,970</u>

**Revenue Bonds Payable**

\$236,000 - 2011 Sewer Revenue Bonds not yet fully funded as of June 30, 2012 Initial draws on total bonds approved for \$236,000	<u>\$ 77,915</u>
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As of June 30, 2012, the Town had a total of \$17,060 in the Sinking Fund and \$3,607 in the Reserve Fund. The bonds had not yet been fully funded, however, payments were scheduled to begin in June 2012.



**TOWN OF SIMMESPORT, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS, (Continued)**

**NOTE 9. CHANGES IN LONG-TERM DEBT (Continued)**

**Capital Leases**

The Town of Simmesport has entered into a lease agreement as lessee for financing the acquisition of a new generator for the Water and Sewer Fund. The lease agreement qualifies as a capital lease for accounting purposes (lease contains an option to purchase the leased property) and therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception. The carrying value of the asset under capital lease is \$23,498 at June 30, 2012.

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 2012:

<u>Year Ending June 30</u>	
2013	\$ 1,208
Less: amount representing interest	<u>(10)</u>
Present value of future lease payments	<u>\$ 1,198</u>

The Town of Simmesport has entered into a lease agreement as lessee for financing the acquisition of a two utility trucks for the Street Department in the General Fund. The lease agreement qualifies as a capital lease for accounting purposes (lease contains an option to purchase the leased property) and therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception. The carrying value of the assets under capital lease is \$8,333 at June 30, 2012.

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 2012:

<u>Year Ending June 30</u>	
2013	4,813
Less: amount representing interest	<u>(79)</u>
Present value of future lease payments	<u>\$ 4,734</u>

The Town of Simmesport has entered into a lease agreement as lessee for financing the acquisition of a two Police cars for the Police Department in the General Fund. The lease agreement qualifies as a capital lease for accounting purposes (lease contains an option to purchase the leased property) and therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception. The carrying value of the assets under capital lease is \$17,029 at June 30, 2012.

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 2012:

<u>Year Ending June 30</u>	
2013	4,847
Less: amount representing interest	<u>(75)</u>
Present value of future lease payments	<u>\$ 4,572</u>

**TOWN OF SIMMESPORT, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS, (Continued)**

**NOTE 10. AD VALOREM TAXES**

For the year ended June 30, 2012, taxes of 5.02 mills were levied on property with assessed valuations totaling \$4,927,900 and were dedicated as follows:

General Corporate	5.02
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Total tax levied was \$24,184 for the tax year ended June 30th. Taxes receivable at June 30, 2012, were \$1,401.

Property taxes attach as an enforceable lien on property as of March 2nd of each year. Taxes are levied in November of each year and payable by March 1st of the year following. The Town bills and collects its own property taxes and they are recognized as revenues when levied to the extent that they result in current receivables. Property assessments are based on valuations made by the tax assessor of Avoyelles Parish.

**NOTE 11. SALES TAX COLLECTION AGREEMENT**

On June 5, 1992, the Town of Simmesport, Louisiana entered into an intergovernmental agreement with the Avoyelles Parish School Board for a one year period commencing on July 1, 1992, whereby the School Board will collect the sales and use taxes, including interest, penalties, fees and cost, levied by the Town of Simmesport, Louisiana under the Town's ordinances. The collection fee charged is a monthly fee of 1 1/2% of the gross tax revenues collections to the Town of Simmesport. Tax collections are remitted on a monthly basis no later than the 10th day of each month after reasonable and necessary cost and expenses of collection in administration of the taxes have been deducted, including the collection fee. This agreement is renewed automatically each year.

**NOTE 12. GENERAL OBLIGATION SINKING FUND REQUIREMENTS**

A. Under the terms of the \$362,000 - 2004 Sales Tax Bond dated April 8, 2004, the Town is required to establish and maintain the following accounts for payment principal and interest on the Bond:

1. "Sales Tax Bonds, Series 2004, Sinking Fund" and to transfer thereto, on a monthly basis, an amount constituting 1/12th of the next maturing installment of principal and interest on the Bond. The balance in the sinking fund as of June 30, 2012, totaled \$45,418.
2. "Sales Tax Bond, Series 2004, Reserve Fund" is to be maintained solely for the purpose of paying the principal of and interest on bonds payable from the Debt Service Fund as to which there would otherwise be default. The Reserve is required to be funded in an amount equal to the lesser of (i) 10% of the principal amount of the bonds and (ii) the highest combined principal and interest requirements for any succeeding bond year on the bonds. The balance in the reserve fund as of June 30, 2012, totaled \$8,442.

For the period under audit, all required transfers to the funds were met in all material respects since the combined balance of both the sinking and reserve funds was within the amounts required for the bond issue.

**NOTE 13. RETIREMENT COMMITMENTS**

Police officers are eligible to participate in the Municipal and State Police Retirement System of Louisiana, a multiple-employer public employee retirement system. For the current year, however, no one in the police department chose to participate.

All employees of the Town are covered by the Social Security System.

**TOWN OF SIMMESPORT, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS, (Continued)**

**NOTE 14. DEFERRED COMPENSATION PLAN**

Beginning in January 1990 the Town elected to participate in the Louisiana Public Employees Deferred Compensation Plan State of Louisiana, a component unit of the State of Louisiana. The plan offers its participants (eligible public employees) a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

**NOTE 15. FRANCHISE AGREEMENTS**

The Town entered into franchise agreements with various public utility companies that provide services within the corporate limits of the Town. A summary of each such agreement follows:

1. CenturyTel (formerly Central Louisiana Telephone Company) - Effective July 1, 1987 for a period of twenty-five (25) years. Franchise fee is based on four percent (4%) of gross revenues derived from exchange station services rendered within the city limits of the Town. Fees are payable quarterly within thirty (30) days following the expiration of the quarter. As additional consideration the Town is provided free of charge, four (4) local access lines. Subsequent to June 30, 2012, the Town began negotiating an new franchise agreement to be effective as of July 1, 2012. As of the date of this report, that agreement had not been finalized.

2. Central Louisiana Electric Company, Inc. - (CLECO) - Effective July 22, 2009 for a period of fifteen (15) years. Franchise fee is based on four percent (4%) of the gross receipts from sale and delivery of electric energy for residential and commercial purposes billed on commercial and residential rates within the limits of the Town. Fees are payable quarterly within thirty (30) days of the end of the quarter. Other franchise provisions are as follows:

1. Franchise payments will be reduced in an amount equal to the sum of any new or increased taxes of any nature whatsoever levied by the municipality and payable by CLECO (except uniform ad valorem taxes, based on property values).
2. CLECO will provide free electric service to the Town and reduced street light rates until July 2024. Thereafter, prevailing commercial rates shall apply and street lights rates will increase.

3. Cable or Video Franchise agreement - Effective November 8, 2010, the town adopted an ordinance requiring all persons or entities providing cable or video services to the citizens of Simmesport to pay a franchise fee of four percent (4%) of the cable or video service provider's gross revenues derived from operations within the Simmesport municipal limits.

**NOTE 16. SUBSEQUENT EVENTS**

In September 2012, the Town entered into a financing arrangement with Red River Bank to finance the purchase of two Police Units in the amount of \$73,330.

On July 20, 2012, the Town entered into a contract with the State of Louisiana, Division of Administration, LCDBG Division in the amount of \$177,700 to finance a Sewer Improvement Project.

Subsequent events were evaluated through January 28, 2013, which is the date the financial statements were available to be issued. No material events have occurred since June 30, 2012, that required recognition or disclosure in the financial statements other than as previously mentioned.

**TOWN OF SIMMESPORT, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS, (Continued)**

**NOTE 17. GOING CONCERN**

The Town incurred excessive spending in the General Fund resulting in a deficit fund balance of \$112,870 for the fiscal year ended June 30, 2012. In addition, the Town's overall cash position decreased by \$88,401, which includes a reduction in restricted cash held for customer security deposits by \$10,521. A review of subsequent activity through December 31, 2012, revealed excess spending in the General Fund of approximately \$40,000 and delinquent payroll tax deposits for the third and fourth quarters of 2012 of approximately \$30,000. There are limited revenue sources available from enterprise fund activity and sales tax revenues which appear to be insufficient to make up this deficit by the end of the current fiscal year.

Effective January 2013, the Mayor and Council have approved the following actions to help reduce spending and reverse some of the financial impact of the prior year overspending:

- released two full-time employees
- reduced the office staff to a thirty-two hour work week
- eliminated all overtime
- initiated a reduction in employee benefits paid by the Town
- approved the sale of commercial property and Police units that are not needed by the Town to generate revenue and reduce insurance costs
- limited spending by tightening the purchase order approval process
- appointed council members to committees to look into increasing occupational license fees and other revenue sources
- mandated a reduction in scheduling of Police Officers to minimize Police payroll expense and encouraged the use of one patrol car per shift to reduce operating costs
- eliminated all festivals and Christmas parties being hosted by the Town
- minimizing billing adjustments to utility bills and tightening the collection procedures to reduce the amount of write-offs

The Mayor and Council members have taken a more active role in the overall administration of the Town and overseeing the daily operations in an attempt to overcome this uncertain financial situation.

**NOTE 18. LITIGATION**

As of the date of this report, we have been advised by legal counsel that the town is involved in litigation in two separate matters alleging excessive use of force by a police officer. One matter is expected to be settled out of court, and in legal counsel's opinion the Town's exposure is limited to the amount of the deductible under its Law Enforcement Liability Coverage in the sum of \$5,000. The other matter will be defended vigorously by the Town's outside defense.

**REQUIRED SUPPLEMENTAL INFORMATION (PART II)**

**TOWN OF SIMMESPORT, LOUISIANA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>REVENUES</u></b>				
Taxes	\$31,000	\$31,000	\$32,964	\$1,964
Franchise fees	120,000	120,000	95,165	(24,835)
Licenses and permits	64,000	64,000	79,385	15,385
Intergovernmental	141,500	141,500	96,320	(45,180)
Fines and forfeits	71,500	71,500	68,952	(2,548)
Miscellaneous	7,300	7,300	48,910	41,610
Rental income	4,000	4,000	5,340	1,340
<b>TOTAL REVENUES</b>	<b>439,300</b>	<b>439,300</b>	<b>427,036</b>	<b>(12,264)</b>
<b><u>EXPENDITURES</u></b>				
General government	182,600	159,600	273,127	(113,527)
Police	294,250	257,905	297,574	(39,669)
Fire	0	0	2,465	(2,465)
Streets and drainage	139,500	145,500	162,211	(16,711)
Debt service	25,500	25,500	20,219	5,281
Capital outlay	50,000	50,000	113,688	(63,688)
<b>TOTAL EXPENDITURES</b>	<b>691,850</b>	<b>638,505</b>	<b>669,285</b>	<b>(230,781)</b>
Deficiency of revenues over expenditures	(252,550)	(199,205)	(442,247)	(243,043)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Operating transfers in	275,000	275,000	326,900	51,900
Operating transfers out	0	0	(5,000)	(5,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>275,000</b>	<b>275,000</b>	<b>321,900</b>	<b>46,900</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$22,450	\$76,795	(120,347)	\$(196,143)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>			<b>7,477</b>	
<b>FUND BALANCES AT END OF YEAR</b>			<b>\$(112,870)</b>	

The accompanying notes are an integral part of this financial statement.

**TOWN OF SIMMESPORT, LOUISIANA  
BUDGETARY COMPARISON SCHEDULE  
SALES TAX FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>REVENUES</u></b>				
Taxes	\$345,000	\$345,000	\$330,344	\$(14,656)
Miscellaneous	400	400	30	(370)
<b>TOTAL REVENUES</b>	<b>345,400</b>	<b>345,400</b>	<b>330,373</b>	<b>(15,027)</b>
<b><u>EXPENDITURES</u></b>				
General government	8,400	8,400	6,960	1,440
<b>TOTAL EXPENDITURES</b>	<b>8,400</b>	<b>8,400</b>	<b>6,960</b>	<b>1,440</b>
Excess (deficiency) of revenues over expenditures	337,000	337,000	323,413	(13,587)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Operating transfers in	0	0	30,000	30,000
Operating transfers out	(265,291)	(265,291)	(362,424)	(97,133)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(265,291)</b>	<b>(265,291)</b>	<b>(332,424)</b>	<b>(67,133)</b>
Excess (deficiency) of revenues over expenditures and other sources (uses)	\$71,709	\$71,709	(9,011)	\$(80,720)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>			<b>35,389</b>	
<b>FUND BALANCES AT END OF YEAR</b>			<b>\$26,378</b>	

The accompanying notes are an integral part of this financial statement.

**TOWN OF SIMMESPORT, LOUISIANA**  
**NOTES TO BUDGETARY COMPARISON SCHEDULES**  
**For the Year Ended June 30, 2012**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device. Annual budgets are adopted for the General Fund, Sales Tax Fund, Debt Service Funds, Capital Projects Funds (if any) and the Enterprise Funds. The Town maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the Mayor and Board of Aldermen. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is within a fund. Budgeted amounts presented are as originally adopted. There were no amendments for the current fiscal year. Budgetary appropriation lapse and the end of each fiscal year and must be re-appropriated for the following year in order to be expended.



**OTHER SUPPLEMENTAL INFORMATION**

**TOWN OF SIMMESPORT, LOUISIANA  
GENERAL FUND  
STATEMENT OF FUNCTIONAL EXPENDITURES DETAIL  
BUDGET (GAAP BASIS) AND ACTUAL  
YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011**

	Final Budget	Actual	Variance - Favorable (Unfavorable)	June 30, 2011 Actual
<b><u>GENERAL GOVERNMENT</u></b>				
Salaries	\$67,200	\$93,301	\$(26,101)	89,438
Payroll taxes	7,000	7,088	(88)	7,120
Employee benefits	0	5,994	(5,994)	5,712
Legal and auditing	20,000	21,524	(1,524)	23,957
Insurance	20,000	17,244	2,756	27,671
Assessor fees	1,500	1,477	23	1,547
Miscellaneous	1,500	5,651	(4,151)	1,679
Office supplies and postage	5,000	6,922	(1,922)	15,773
Publications and printing	2,500	1,471	1,029	4,664
Dues and subscriptions	1,200	732	468	2,900
Town hall expense	8,000	9,563	(1,563)	10,918
Telephone expense	7,000	9,481	(2,481)	11,985
Utilities	4,500	0	4,500	0
Drug testing expense	1,000	1,879	(879)	2,305
Community center expenses	3,500	7,990	(4,490)	6,394
Travel	0	15,565	(15,565)	10,123
Bank charges	0	284	(284)	292
Election cost	1,000	0	1,000	0
Repairs and maintenance	500	6,035	(5,535)	0
Park expenses	1,300	5,330	(4,030)	5,759
Advertising Expense	0	85	(85)	335
Festival expense	0	29	(29)	1,259
Tourist center expense	0	387	(387)	422
Council on Aging	0	0	0	6,590
Material and supplies	400	2,012	(1,612)	2,339
Prisoner Rations	0	0	0	24
Mardi Gras expenses	0	404	(404)	680
Coroner's Expense	1,500	2,350	(850)	7,100
Engineering Fees	0	2,500	(2,500)	0
Council on Aging	5,000	6,630	(1,630)	0
Penalty and Fines	0	3,457	(3,457)	1,958
Festival expense	0	7,041	(7,041)	6,000
Entertainment expense - festival	0	3,225	(3,225)	3,925
Entertainment - Simmesport cares	0	125	(125)	583
Bank charges - festival	0	0	0	87
Repairs & maintenance - festiv	0	0	0	2,507
Party expense - Simmesport cares	0	724	(724)	985
Gift certificates - Simmesport Cares	0	0	0	3,799
Pageant expense - festival	0	1,750	(1,750)	2,069
Advertising - festival	0	320	(320)	1,631
Dues & subscriptions - festival	0	674	(674)	150
Materials & supplies - festival	0	3,065	(3,065)	922
Security - festival expense	0	1,477	(1,477)	1,922
Donations to Other Org - SAYA	0	236	(236)	0
Dues & Subscriptions - SAYA	0	23	(23)	0
Event expense	0	12,832	(12,832)	0
Fuel - SAYA	0	11	(11)	0
Meals & entertainment - SAYA	0	20	(20)	0
Miscellaneous - SAYA	0	42	(42)	0
Penalties - SAYA	0	11	(11)	0
Postage - SAYA	0	44	(44)	0
Sales tax expense - SAYA	0	63	(63)	0
Supplies - SAYA	0	1,997	(1,997)	0
Travel - SAYA	0	80	(80)	0
Capital Outlay - SAYA	0	4,000	(4,000)	0
<b>TOTAL GENERAL GOVERNMENT</b>	<b>159,600</b>	<b>273,127</b>	<b>(113,527)</b>	<b>273,504</b>

(CONTINUED)

**TOWN OF SIMMESPORT, LOUISIANA  
GENERAL FUND  
STATEMENT OF FUNCTIONAL EXPENDITURES DETAIL  
BUDGET (GAAP BASIS) AND ACTUAL  
YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011**

	Final Budget	Actual	Variance - Favorable (Unfavorable)	June 30, 2010 Actual
<b><u>POLICE</u></b>				
Salaries	188,855	188,135	(720)	202,549
Payroll taxes	20,000	15,233	4,767	16,950
Police Supplemental Pay	0	0	0	18,682
Employee benefits	0	9,996	(9,996)	5,712
Insurance	20,000	27,868	(7,868)	14,584
Miscellaneous	250	280	(30)	0
Telephone expense	2,000	1,989	11	1,761
Travel Expense	0	235	(235)	0
Witness Fee	0	1,450	(1,450)	800
Magistrate fees	0	500	(500)	2,500
Prisoner rations	4,000	3,810	190	3,800
Medical expenses	0	0	0	90
Police uniforms	4,000	1,810	2,390	1,198
Material and supplies	0	15	(15)	0
Repairs & Maintenance	0	660	(660)	0
Police supplies	4,000	10,456	(6,456)	7,756
Patrol car expenses	35,000	11,162	23,838	18,171
Patrol car- fuel	0	24,176	(24,176)	26,270
<b>TOTAL POLICE</b>	<b>257,905</b>	<b>297,574</b>	<b>(39,669)</b>	<b>320,813</b>
<b><u>STREETS AND DRAINAGE</u></b>				
Salaries	40,000	42,534	(2,534)	123,046
Payroll taxes	4,000	2,883	1,117	8,991
Employee benefits	0	13,335	(13,335)	13,803
Insurance	12,000	6,061	5,939	8,738
Miscellaneous	1,000	127	873	17
Telephone	0	675	(675)	350
Utilities	0	1,024	(1,024)	1,296
Repairs and maintenance	15,000	6,806	8,194	15,561
Park expenses	0	38	(38)	0
Medical Expenses	0	44	(44)	537
Tractor expense	5,000	7,351	(2,351)	12,359
Tractor expense- fuel	0	1,173	(1,173)	1,488
Fuel/Mower-weedeaters	500	199	301	188
Uniforms	2,000	0	2,000	0
Vapor lights	36,000	40,952	(4,952)	43,808
Mardi Gras Expense	0	0	0	100
Material and supplies	20,000	19,793	207	38,711
Witness fee	0	0	0	50
Truck expenses	10,000	2,448	7,552	1,583
Truck expense- fuel	0	18,767	(18,767)	11,093
<b>TOTAL STREETS AND DRAINAGE</b>	<b>145,500</b>	<b>162,211</b>	<b>(16,711)</b>	<b>281,526</b>

(CONTINUED)

**TOWN OF SIMMESPORT, LOUISIANA  
GENERAL FUND  
STATEMENT OF FUNCTIONAL EXPENDITURES DETAIL  
BUDGET (GAAP BASIS) AND ACTUAL  
YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011**

	Final Budget	Actual	Variance - Favorable (Unfavorable)	June 30, 2010 Actual
<b>FIRE</b>				
Telephone expense	0	1,115	(1,115)	0
Material and supplies	0	0	0	2,244
Utilities	0	1,350	(1,350)	135
Fuel	0	0	0	291
Truck expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>250</u>
<b>TOTAL FIRE</b>	<u>0</u>	<u>2,465</u>	<u>(2,465)</u>	<u>2,920</u>
<b>DEBT SERVICE</b>				
Lease payments	<u>25,500</u>	<u>20,219</u>	<u>5,281</u>	<u>25,482</u>
<b>TOTAL DEBT SERVICE</b>	<u>25,500</u>	<u>20,219</u>	<u>5,281</u>	<u>25,482</u>
<b>CAPITAL OUTLAY</b>				
Police	0	0	0	0
Streets and sanitation	0	3,200	(3,200)	12,998
General government	<u>50,000</u>	<u>110,488</u>	<u>(60,488)</u>	<u>0</u>
<b>TOTAL CAPITAL OUTLAY</b>	<u>50,000</u>	<u>113,688</u>	<u>(63,688)</u>	<u>12,998</u>
<b>TOTAL EXPENDITURES</b>	<u>\$638,505</u>	<u>\$869,285</u>	<u>\$(230,781)</u>	<u>\$917,041</u>

(CONCLUDED)

**TOWN OF SIMMESPORT, LOUISIANA  
ENTERPRISE FUND  
STATEMENT OF FUNCTIONAL EXPENDITURES DETAIL  
BUDGET (GAAP BASIS) AND ACTUAL  
YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011**

	Final Budget	Actual	Variance - Favorable (Unfavorable)	June 30, 2011 Actual
<b><u>WATER SYSTEM</u></b>				
Salaries - Water	\$63,000	\$68,469	\$(5,469)	67,895
Payroll tax expense	5,500	5,031	469	4,993
Employee benefits	0	7,026	(7,026)	9,519
Insurance	3,500	10,679	(7,179)	2,549
Miscellaneous	400	0	400	1,183
Telephone expense	500	297	203	712
Utilities	16,000	17,769	(1,769)	19,515
Repairs and maintenance	11,000	19,927	(8,927)	13,538
Lease payments	9,000	989	8,031	0
Office supplies and postage	0	373	(373)	211
Dues and subscriptions	0	600	(600)	0
Travel expense	0	480	(480)	405
Material and supplies	0	19,409	(19,409)	20,261
Truck expenses	4,000	575	3,425	274
Truck Expense- Fuel	0	3,756	(3,756)	3,186
Chemicals	3,500	3,044	456	3,687
Depreciation	31,000	17,982	13,018	18,523
Interest Expense	500	539	(39)	1,166
Bad debt expense	500	0	500	0
Bank charges	0	92	(92)	0
<b>TOTAL WATER SYSTEM</b>	<b>148,400</b>	<b>177,017</b>	<b>(28,617)</b>	<b>167,617</b>
<b><u>SEWER SYSTEM</u></b>				
Salaries - Sewer	60,000	64,754	(4,754)	65,506
Payroll taxes	5,000	4,749	251	4,802
Employee benefits	0	11,988	(11,988)	9,519
Insurance	2,800	5,879	(3,079)	2,039
Miscellaneous	500	0	500	0
Utilities	30,000	29,315	685	36,286
Legal & auditing	0	0	0	3,893
Repairs and maintenance	20,000	21,548	(1,548)	24,718
Telephone	1,000	496	504	232
Dues & Subscriptions	0	495	(495)	405
Travel	0	0	0	546
Construction Cost	0	81,131	(81,131)	0
Engineering Fees	0	19,475	(19,475)	22,300
Material and supplies	5,000	6,526	(1,526)	4,892
Truck expenses	2,000	42	1,958	10
Truck Expense- Fuel	0	1,312	(1,312)	1,018
Chemicals	5,000	6,455	(1,455)	5,512
Depreciation	43,000	60,788	(17,788)	60,788
Bad debt expense	500	0	500	0
<b>TOTAL SEWER SYSTEM</b>	<b>174,800</b>	<b>314,951</b>	<b>(140,151)</b>	<b>242,466</b>

(CONTINUED)

**TOWN OF SIMMESPORT, LOUISIANA  
ENTERPRISE FUND  
STATEMENT OF FUNCTIONAL EXPENDITURES DETAIL  
BUDGET (GAAP BASIS) AND ACTUAL  
YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011**

	Final Budget	Actual	Variance - Favorable (Unfavorable)	June 30, 2010 Actual
<b><u>GENERAL AND ADMINISTRATIVE</u></b>				
Salaries	35,000	35,395	(395)	44,535
Payroll taxes	6,000	2,575	3,425	3,116
Employee benefits	0	5,826	(5,826)	5,712
Legal and auditing	4,500	4,549	(49)	8,050
Insurance	3,500	2,626	874	0
Miscellaneous	100	0	100	0
Office supplies and postage	2,500	2,269	231	5,558
Bank service charges	100	184	(84)	178
Lease payments	1,800	1,831	(31)	1,994
Dues and subscriptions	300	125	175	415
Material and supplies	0	1,144	(1,144)	0
Repairs and maintenance	0	367	(367)	0
Repairs & maintenance - GRANT	0	0	0	64,545
Engineering fees - GRANT	0	0	0	1,750
<b>TOTAL GENERAL AND ADMINISTRATIVE</b>	<b><u>53,800</u></b>	<b><u>56,891</u></b>	<b><u>(3,091)</u></b>	<b><u>135,853</u></b>
<b>TOTAL GENERAL AND ADMINISTRATIVE</b>				
<b>WATER AND SEWER</b>	<b><u>\$377,000</u></b>	<b><u>\$548,860</u></b>	<b><u>\$(171,860)</u></b>	<b><u>\$545,938</u></b>

(CONCLUDED)

**TOWN OF SIMMESPORT, LOUISIANA  
ENTERPRISE FUND  
STATEMENT OF FUNCTIONAL EXPENDITURES DETAIL  
BUDGET (GAAP BASIS) AND ACTUAL  
YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011**

	Final Budget	Actual	Variance - Favorable (Unfavorable)	June 30, 2010 Actual
<b><u>NATURAL GAS SYSTEM</u></b>				
Salaries	\$38,400	\$32,745	\$3,655	18,865
Payroll taxes	3,700	2,432	1,268	1,237
Employee benefits	0	7,003	(7,003)	3,807
Insurance	17,500	23,180	(5,680)	2,548
Miscellaneous	1,000	0	1,000	0
Repairs and maintenance	11,000	13,652	(2,652)	20,638
Lease payments	0	2,973	(2,973)	0
Capital outlay	5,000	0	5,000	0
Telephone	1,500	738	764	688
Uniforms	0	0	0	71
Utilities	0	1,330	(1,330)	1,147
Office supplies	0	481	(481)	0
Material and supplies	8,000	13,542	(5,542)	11,230
Truck expense	6,000	865	5,135	89
Truck expense - fuel	0	6,130	(6,130)	7,116
Travel expense	0	0	0	440
Depreciation	26,000	24,389	1,611	25,498
Gas purchase	110,000	70,449	39,551	100,539
<b>TOTAL NATURAL GAS SYSTEM</b>	<b>226,100</b>	<b>199,907</b>	<b>26,193</b>	<b>191,873</b>
<b><u>GENERAL AND ADMINISTRATIVE</u></b>				
Salaries	32,000	30,808	1,094	39,386
Payroll taxes	3,100	2,244	856	2,571
Employee benefits	0	7,026	(7,026)	5,236
Legal and auditing	5,000	4,549	451	4,380
Insurance	2,300	204	2,096	0
Miscellaneous	100	0	100	0
Office supplies and postage	2,000	2,269	(269)	4,735
Lease payment	1,500	1,831	(331)	1,994
Telephone	100	0	100	0
Dues and subscriptions	0	25	(25)	0
Bank charges	0	46	(46)	166
Material and supplies	0	1,144	(1,144)	0
Repairs and maintenance	0	367	(367)	0
<b>TOTAL GENERAL AND ADMINISTRATIVE</b>	<b>48,100</b>	<b>50,613</b>	<b>(4,613)</b>	<b>58,468</b>
<b>TOTAL GENERAL AND ADMINISTRATIVE NATURAL GAS</b>	<b>\$272,200</b>	<b>\$250,520</b>	<b>\$21,680</b>	<b>\$250,341</b>

**TOWN OF SIMMESPORT, LOUISIANA  
SCHEDULE OF COMPENSATION PAID TO ELECTED OFFICIALS**

A detail of compensation paid to individual elected officials for the year ended June 30, 2012, follows:

	<u>Title</u>	<u>Date Term Expires</u>	<u>Year Ended June 30, 2012</u>
Eric Rusk	Mayor	December 2012	\$ 10,875
Myron Brown	Alderman	December 2012	4,350
Manual M. Kirk	Alderman	December 2012	4,350
Kenneth L. Marsh	Alderman	December 2012	4,350
Ted P. Turner	Alderman	December 2012	4,350
Charles Austin, Jr.	Alderman-at-large	December 2012	4,350



**OTHER REPORTS REQUIRED BY GOVERNMENTAL AUDITING STANDARDS**

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

The Honorable Eric Rusk, Mayor  
And the Board of Aldermen  
Town of Simmesport, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Simmesport, Louisiana, as of and for the year ended June 30, 2012, which collectively comprise the Town of Simmesport, Louisiana's basic financial statements and have issued our report thereon dated January 7, 2013. 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.

**Internal Control Over Financial Reporting**

Management of the Town of Simmesport, Louisiana is responsible for the establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Simmesport, Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Simmesport's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or 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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses, identified as 2012-07, 2012-08 and 2012-09.

**Compliance**

As part of obtaining reasonable assurance about whether Town of Simmesport, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which we described in the accompanying schedule of findings and responses as items 2012-01, 2012-02, 2012-03, 2012-04, 2012-05, 2012-06 and 2012-09.

The Town of Simmesport, Louisiana's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town of Simmesport, Louisiana's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the Mayor and Board of Aldermen and management of the Town of Simmesport, Louisiana, federal awarding agencies, and for filing with the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



**DUCOTE & COMPANY**

Marksville, Louisiana

January 7, 2013

**TOWN OF SIMMESPORT, LOUISIANA  
Schedule of Findings and Responses  
For the Year Ended June 30, 2012**

**Section I – Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	Qualified
Internal control over financial reporting:	
Material weakness (es) identified?	
Reportable condition(s) identified not .	
Considered to be material weakness(es)	<u>  x  </u> yes <u>      </u> no
Noncompliance material to financial statements noted?	<u>  x  </u> yes <u>      </u> no

**Federal Awards**

Not applicable for the fiscal year ended June 30 2012.

**Section II-Financial Statement Findings**

There are three reportable conditions that are believed to be a material weakness listed as 2012-07, 2012-08, and 2012-09, and there are seven instances of noncompliance listed as 2012-01, 2012-02, 2012-03, 2012-04, 2012-05, 2012-06 and 2012-09.

**Section III – Federal Award Findings and Questioned Costs**

Not applicable for the fiscal year ended June 30, 2012.

**Section IV – Summary of Current Year Audit Findings and Responses**

**Finding 2012-01: Lack of sufficient accounting expertise to prepare financial statements**

**Condition Found:** As noted in the prior year report as finding 11-01, the accounting personnel of the Town, while capable of handling their accounting responsibilities, lack sufficient expertise to prepare the annual financial statements with full disclosures as required by Generally Accepted Accounting Procedures (GAAP) and *Governmental Auditing Standards*.

**Cause:** The job requirements do not include a degree in accounting or a sufficient level of knowledge to prepare GAAP financial statements. The salary and position do not justify this requirement to fill that position and the Town has typically relied on the assistance of the auditor to prepare the financial statements in accordance with required standards.

**Recommendation:** Adequate involvement and oversight in the preparation of the financial statements whereby accounting personnel fully understand and take responsibility for their fair presentation is mandatory to maintain independence with respect to the auditing firm conducting the audit.

**Management's Response and Corrective Action Plan:** It is not cost feasible to hire someone with sufficient knowledge and expertise to prepare the financial statements in accordance with the current reporting standards. It is our intention, however, to continue to take responsibility for the preparation of the financial statements by verifying the information contained therein as presented. In addition, the Town will take full responsibility for any audit adjustments proposed by the auditor with full understanding of those adjustments and the disclosures contained in the financial report before its issuance.

**TOWN OF SIMMESPORT, LOUISIANA**  
**Schedule of Findings and Responses (Continued)**  
**For the Year Ended June 30, 2012**

**Finding 2012-02: Budget variance in General Fund and Sales Tax Fund exceed 5%.**

**Condition Found:** Actual expenditures in the General Fund and Sales Tax Fund exceeded the budgeted amounts by more than 5% for the current fiscal year. General Fund expenses exceed budgeted expenses by \$230,781 or 36%. In the Sales Tax Fund, the net operating transfers exceeded budgeted transfers by \$67,133 or 25%. These variances are in violation of the Louisiana Local Government Budget Act (R.S. 39:1301-1316).

**Cause:** The variance was primarily due to excessive spending by the general government and capital outlay departments. Although budget amendments were adopted during the year end, and the Board of Aldermen approved cost cutting measures mid-year, the amendments were not sufficient to adjust the expected spending within a 5% variance overall and several of the cost cutting measures were not carried out. In January of 2012, a resolution was passed to cut all overtime pay as a cost cutting measure, however, in calendar year 2012, the town employees were still paid a total of in excess of \$20,000 in overtime pay. In addition, the Town hosted the annual Simmesport Atchafalaya River Festival which cost the Town over \$5,000 more than the revenue generated from the event.

**Recommendation:** Management should attempt to have a better control over spending in departments that exceed their budget and more closely monitor and make amendments where needed to avoid any unfavorable variances that would cause the Town to be in violation of the Louisiana Local Government Budget Act. In addition, cost cutting measures should not only be approved but also carried out. The excessive spending resulted in a deficit fund balance for the general fund and created cash flow problems for the town causing other noncompliance instances as noted elsewhere in this report.

**Management's Response and Corrective Action Plan:** The recommendation is accepted and budget variances will be monitored more frequently in the future and amendments made when applicable in order to comply with the Louisiana Local Government Budget Act. In addition, numerous cost cutting measures have been initiated as disclosed in Note 17.

**Finding 2012-03: Deficit fund balance in the General Fund.**

**Condition Found:** The General Fund ended the fiscal year with a deficit fund balance of \$112,870. Deficit spending is strictly prohibited by the Louisiana Local Budget Act (R.S. 39:1305), which prohibits spending in excess of funds available.

**Cause:** The deficit incurred was primarily due to excessive spending without proper monitoring of the annual budgeted expenditures as they compared to the actual amounts being expended and failure to carry out cost cutting measures as noted above.

**Recommendation:** Management should attempt to have a better control over spending in all departments and more closely monitor and make amendments where needed to stay within resources available for spending. As disclosed in Note 17, there does not appear to be an excessive amount of revenue sources available in the enterprise funds or the sales tax fund to cover this deficit without raising rates or generating additional revenues by increasing taxes.

**Management's Response and Corrective Action Plan:** The recommendation is accepted and the Mayor and Board of Aldermen have formed committees to look into ways that additional revenue can be generated in addition to more closely monitoring the spending cuts that have been initiated as disclosed in Note 17.

**TOWN OF SIMMESPORT, LOUISIANA**  
**Schedule of Findings and Responses (Continued)**  
**For the Year Ended June 30, 2012**

**Finding 2012-04: Deficiency in cash to fund Customer Meter Deposits.**

**Condition Found:** During the fiscal year ended June 30, 2012, the Town transferred money from the Customer Meter Deposit account in the Natural Gas Fund to cover operating expenses leaving the Customer Meter Deposits underfunded by \$10,522. Meter Deposits held on customer accounts should always be funded by the corresponding amount of cash since these funds are actually held as security on behalf of the customers.

**Cause:** The Town Clerk intended for the transfer of money to be a temporary loan to the general clearing account and had intentions of transferring it back as funds became available. As of June 30, 2012, the funds had not been replaced.

**Recommendation:** Management has been advised of the illegal nature of this transaction and recommended replacement of the cash shortage as soon as funds are available in order to properly secure the customer meter deposit liability.

**Management's Response and Corrective Action Plan:** The recommendation is accepted and the funds will be transferred back into the Customer Meter Deposit account as soon as they become available.

**Finding 2012-05: Penalties assessed on late payment of payroll tax deposits.**

**Condition Found:** During the fiscal year ended June 30, 2012, the Town paid approximately \$12,000 in penalties for failure to make payroll tax deposits timely. In addition, the third and fourth quarters payments of 2012 were not deposited until January 2013. These subsequent late payments will be assessed additional penalties.

**Cause:** Due to the cash flow problems that resulted from the overspending mentioned in the previous findings, the funds were not available to make timely payroll tax deposits.

**Recommendation:** Late payment of payroll tax deposits cause unnecessary cost to the Town as they are usually assessed penalties of up to 25% of the payment amount. Management make every effort to comply with all payroll tax deposit requirements and maintain compliance with the Internal Revenue Service at all times.

**Management's Response and Corrective Action Plan:** The delinquent deposits were paid in January 2013, and the Town will make a conscious effort to remain current in the future.

**Finding 2012-06: Timely completion of audited financial statements**

**Condition Found:** The audited financial statements were completed after December 31, 2012, later than six-months after the fiscal year end as required by Louisiana Statute R.S. 24:514.

**Cause:** The delay in completing the engagement was a result of addressing the numerous findings and getting with management for the appropriate corrective action plan and responses to the findings. In addition, information requested during the course of the audit was not submitted timely, causing a delay in completion of the report.

**Recommendation:** Management should aggressively pursue corrective action on the findings noted to avoid problems on future engagements.

**TOWN OF SIMMESPORT, LOUISIANA**  
**Schedule of Findings and Responses (Continued)**  
**For the Year Ended June 30, 2012**

**Finding 2012-07: Lack of controls over utility billing adjustments for the Enterprise Funds.**

**Condition Found:** An overall reconciliation of utility billings for the fiscal year ended June 30, 2012, revealed an unverifiable discrepancy of \$29,000. The listing of utility billing adjustments that should have made up for that difference included numerous duplicate accounts and amounts, accounts that had already been charged off in a prior year, some accounts that were still active on the system, some balances that exceed the highest balance for the customer for the entire year. Since that listing could not be relied on, the only adjustments used in the reconciliation were the actual adjustments entered on the system for the year which totaled \$22,648.

**Cause:** The explanation given by the Town Clerk was that some write-offs were not actually charged off in the system instead moved to an inactive status. However, they were not able to print a report of customers moved to inactive for the current year to explain or verify the difference in the reconciliation of billings.

**Recommendation:** Management should implement an approval process for all utility billing adjustments and maintain proper documentation of the adjustments made during the year. A periodic reconciliation should be done to verify the balance in receivables, based on the amounts billed net of collections on at least a quarterly basis.

**Management's Response and Corrective Action Plan:** The Mayor has changed the policy to have all utility billing adjustments approved by himself before they can be entered into the computer.

**Finding 2012-08: Debit Card Transaction Policy.**

**Condition Found:** The Town began using a debit card for certain transactions paid through the general clearing account. There is no policy in place for the use of the card at the present time.

**Cause:** The debit card is needed at times to purchase items over the telephone or internet.

**Recommendation:** The Town should adopt a debit card policy that would require authorization before any debit card purchases are initiated.

**Management's Response and Corrective Action Plan:** Management will make changes to its debit card procedures and put a policy in place similar to the purchase order policy to insure prior authorization of any such transactions.

**TOWN OF SIMMESPORT, LOUISIANA**  
**Schedule of Findings and Responses (Continued)**  
**For the Year Ended June 30, 2012**

**Finding 2012-09: Excessive spending on food & drink for the Town's Christmas Party and lack of documentation for the expenses.**

**Condition Found:** The Town hosted a Christmas party for the employees, elected officials and their spouses and/or guests in December 2011. The total cost of the food and drinks was \$1,500. It was determined that there were fewer than thirty attendees at the event. In addition, the cost of the event was represented by a check payable to the employee who organized the event for which no documentation was available when requested. In addition, there were several expenses associated with the annual Simmesport Atchafalaya River Festival that could not be substantiated with receipts.

**Cause:** The Town was unaware that they could not host an event for more than the \$6 nominal amount per attendee allowed by state law. In addition, the importance of maintaining proper documentation for all expenditures was not stressed to all employees.

**Recommendation:** Management should ensure that every employee completes the ethics training course as soon as they are hired. In addition, purchase order procedures and cash disbursement procedures need to be revisited and tightened to ensure that all transactions are properly authorized, documented and in compliance with state law.

**Management's Response and Corrective Action Plan:** The Town plans to discontinue hosting an annual Christmas party with Town funds and plans to discontinue hosting the annual Simmesport Atchafalaya River Festival. The purchasing and purchase order procedures are being reviewed and will be strongly adhered to in the future.



**TOWN OF SIMMESPORT, LOUISIANA  
Status of Prior Audit Findings  
For the Year Ended June 30, 2012**

<u>Ref No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/ Partial Corrective Action Taken</u>
<b><u>Section I – Internal Control and Compliance Material to the Financial Statements</u></b>				
11-01	June 2007	Lack of accounting expertise	No	Not cost feasible
11-02	June 2010	Budget variance in General Fund exceeds 5%	No	Finding still exists see 12-02

**Section II – Internal Control and Compliance Material to Federal Awards**

None reported in prior year.

**Section III – Management Letter**

None reported in prior year.