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VILLAGE OF SIMPSON, LOUISIANA
ANNUAL FINANCIAL REPORT
For the two years ended
June 30, 1999

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Release Date OCT 06 1999

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W. Micheal Elliott, CPA

UNQUALIFIED OPINION ON GENERAL-PURPOSE FINANCIAL STATEMENTS-GOVERNMENTAL ENTITY

INDEPENDENT AUDITOR'S REPORT

The Honorable Joe Parker, Mayor
and the Members of the Board of Aldermen
Simpson, Louisiana

I have audited the accompanying general-purpose financial statements of the Village of Simpson, a component unit of the Vernon Parish Police Jury, as of and for the two years ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Village of Simpson's management. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

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

In my opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Simpson as of and for the two years ended June 30, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 3, 1999, on my consideration of the Village of Simpson's internal control over financial reporting and my tests of its compliance with laws, regulations, contracts and grants.

The year 2000 supplementary information on page 31 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and the presentation of the supplementary information. However, I did not audit the information and do not express an opinion on it. In addition, I do not provide assurance that the Village of Simpson is or will become year 2000 compliant, that the Village's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Village does business are or will become year 2000 compliant.

My audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Village taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Elliott & Assoc, "APAC"
Leesville, Louisiana
September 3, 1999

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

The Honorable Joe Parker, Mayor
and the Members of the Board of Aldermen
Simpson, Louisiana

I have audited the financial statements of the Village of Simpson as of and for the two years ended June 30, 1999, and have issued my report thereon dated September 3, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Village of Simpson's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provided assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information and use of management, others within the organization, and the Louisiana Legislative Auditor and is not to be and should not be used by anyone other than these specified parties.

Elliott & Assoc. "APAC"

Leesville, Louisiana
September 3, 1999

Village of Simpson
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Two years ended June 30, 1999

I have audited the financial statements of the Village of Simpson as of and for the two years ended June 30, 1999, and have issued my report thereon dated September 3, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of June 30, 1999 resulted in a qualified opinion.

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses () Yes (X) No
Reportable Conditions () Yes (X) No

Compliance

Compliance Material to Financial Statements () Yes (X) No

b. Federal Awards

Internal Control

Material Weaknesses () Yes () No (X) N/A
Reportable Conditions () Yes () No (X) N/A

Type of Opinion On Compliance For Major Programs

Unqualified () Qualified ()
Disclaimer () Adverse ()
N/A (X)

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)?

() Yes () No (X) N/A

c. Identification of Major Programs

CFDA Number(s) Name of Federal Program

None

None

Dollar threshold used to distinguish between Type A and Type B Programs: \$ N/A

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133?
() Yes () No (X) N/A

Section II Financial Statement Findings

N/A

Section III Federal Award Findings and Questioned Costs

N/A

See independent auditor's report.

GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)
VILLAGE OF SIMPSON

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP
June 30, 1999

ASSETS	Governmental Fund Type <u>General</u>	Special Revenue Fund Type <u>LCDBG</u>
Cash and cash equivalents (Note 2)	\$24,539	\$ 43
Receivables, (net where applicable of allowances for uncollectibles) - (Note 3)		
Intergovernmental	724	---
Franchise taxes	1,421	---
Accounts	---	
Due from Simpson Volunteer Fire Department	202	---
Due from other fund (Note 4)	3,471	---
Restricted assets (Notes 2 and 5)		
Cash and cash equivalents	---	---
Land	---	---
Furniture and equipment (Note 6)	---	---
Utility plant and equipment (Note 6)	---	---
Accumulated depreciation (Note 6)	---	---
Total assets	<u>\$30,357</u>	<u>\$ 43</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 5,185	\$ ----
Payroll taxes payable	---	---
Sales taxes payable	---	---
Due to other fund (Note 4)	---	---
Customer deposits	---	---
Salaries payable	---	---
Payable from restricted assets -		
Revenue bonds payable - current (Note 8)	---	---
Interest payable	---	---
Revenue bonds payable (Note 8)	---	---
Total liabilities	<u>5,185</u>	<u>---</u>
Fund equity:		
Contributed capital	---	---
Amortization of contributed capital	---	---
Investment in general fixed assets	---	---
Retained earnings		
Reserve for revenue bond retirement	---	---
Unreserved	---	---
Fund balances -		
Unreserved - undesignated	<u>25,172</u>	<u>43</u>
Total fund equity	<u>25,172</u>	<u>43</u>
Total liabilities and fund equity	<u>\$30,357</u>	<u>\$ 43</u>

The accompanying notes are an integral part of this statement.

Exhibit A

<u>Proprietary Fund Type Enterprise</u>	<u>Account Group General Fixed Assets</u>	<u>Totals (Memorandum Only)</u>
\$ 48,185	\$ ---	\$ 72,767
---	---	724
---	---	1,421
797	---	797
---	---	202
---	---	3,471
52,075	---	52,075
---	4,000	4,000
---	106,048	106,048
701,606	---	701,606
(198,063)	---	(198,063)
<u>\$604,600</u>	<u>\$ 110,048</u>	<u>\$745,048</u>
\$ 11	\$ ---	\$ 5,196
69	---	69
340	---	340
3,471	---	3,471
450	---	450
919	---	919
6,024	---	6,024
2,422	---	2,422
97,510	---	97,510
<u>111,216</u>	<u>---</u>	<u>116,401</u>
472,432	---	472,432
(91,438)	---	(91,438)
---	110,048	110,048
43,628	---	43,628
68,762	---	68,762
---	---	25,215
<u>493,384</u>	<u>110,048</u>	<u>628,647</u>
<u>\$604,600</u>	<u>\$ 110,048</u>	<u>\$745,048</u>

VILLAGE OF SIMPSON
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
 Year ended June 30, 1999

	<u>General Fund</u>	<u>Special Revenue Fund LCDBG</u>	<u>Totals (Memorandum Only)</u>
Revenues:			
Taxes	\$ 13,171	\$ ---	\$ 13,171
Licenses and permits	11,458	---	11,458
Intergovernmental	17,898	10,000	27,898
Miscellaneous	<u>2,139</u>	<u>---</u>	<u>2,139</u>
Total revenues	<u>44,666</u>	<u>10,000</u>	<u>54,666</u>
Expenditures:			
Current -			
General government	19,352	7	19,359
Public safety -			
Police	5,010	---	---
Capital outlay	<u>1,800</u>	<u>10,000</u>	<u>11,800</u>
Total expenditures	<u>26,162</u>	<u>10,007</u>	<u>36,169</u>
Excess (deficiency) of revenues over expenditures before transfers	18,504	(7)	18,497
Transfers in - General Fund	---	50	50
Transfers out - LCDBG	(50)	---	(50)
Transfers out - Water Fund	<u>(15,000)</u>	<u>---</u>	<u>(15,000)</u>
Total transfers in (out)	<u>(15,050)</u>	<u>50</u>	<u>(15,000)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	3,454	43	3,497
Fund balance, beginning	<u>21,718</u>	<u>---</u>	<u>21,718</u>
Fund balance, ending	<u>\$ 25,172</u>	<u>\$ 43</u>	<u>\$25,215</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF SIMPSON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - GOVERNMENTAL FUND TYPE
 Year ended June 30, 1998

	<u>General Fund</u>
Revenues:	
Taxes	\$ 11,083
Licenses and permits	8,185
Intergovernmental	2,898
Fines and forfeits	---
Miscellaneous	<u>7,068</u>
Total revenues	<u>29,234</u>
Expenditures:	
Current -	
General government	23,548
Public safety -	
Police	3,918
Capital outlay	<u>---</u>
Total expenditures	<u>27,466</u>
Excess (deficiency) of revenues over expenditures before transfers,	1,768
Transfers out - Water Fund	<u>(1,650)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	118
Fund balance, beginning	<u>21,600</u>
Fund balance, ending	<u>\$ 21,718</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF SIMPSON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year ended June 30, 1999

	<u>Governmental Fund Type</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ 7,268	\$ 13,171	\$ 5,903
Licenses and permits	12,200	11,458	(742)
Intergovernmental	18,000	17,898	(102)
Fines and forfeits	---	---	---
Miscellaneous	<u>500</u>	<u>2,139</u>	<u>1,639</u>
Total revenues	<u>37,968</u>	<u>44,666</u>	<u>6,698</u>
Expenditures:			
Current -			
General government	16,500	19,352	(2,852)
Public safety -			
Police	10,700	5,010	5,690
Capital outlay	<u>100</u>	<u>1,800</u>	<u>(1,700)</u>
Total expenditures	<u>27,300</u>	<u>26,162</u>	<u>1,138</u>
Excess (deficiency) of revenues over expenditures	10,668	18,504	7,836
Transfer in - General Fund	---	---	---
Transfer out - LCDBG	(50)	(50)	---
Transfer out - Water Fund	<u>(15,000)</u>	<u>(15,000)</u>	<u>---</u>
Total transfers in (out)	<u>(15,050)</u>	<u>(15,050)</u>	<u>---</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(4,382)	3,454	7,836
Fund balance, beginning	<u>21,718</u>	<u>21,718</u>	<u>---</u>
Fund balance, ending	<u>\$ 17,336</u>	<u>\$ 25,172</u>	<u>\$ 7,836</u>

The accompanying notes are an integral part of this statement.

<u>Special Revenue Fund - LCDBG</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ ---	\$ ---	\$ ---
---	---	---
10,000	10,000	---
---	---	---
---	---	---
<u>10,000</u>	<u>10,000</u>	<u>---</u>
7	7	---
---	---	---
<u>10,000</u>	<u>10,000</u>	<u>---</u>
<u>10,007</u>	<u>10,007</u>	<u>---</u>
(7)	(7)	---
50	50	---
---	---	---
---	---	---
<u>50</u>	<u>50</u>	<u>---</u>
43	43	---
---	---	---
<u>\$ 43</u>	<u>\$ 43</u>	<u>\$ ---</u>

VILLAGE OF SIMPSON
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL - GOVERNMENTAL FUND TYPE
 Year ended June 30, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ 12,200	\$ 11,083	\$(1,117)
Licenses and permits	8,000	8,185	185
Intergovernmental	3,000	2,898	(102)
Fines and forfeits	---	---	---
Miscellaneous	<u>4,500</u>	<u>7,068</u>	<u>2,568</u>
Total revenues	<u>27,700</u>	<u>29,234</u>	<u>1,534</u>
Expenditures:			
Current -			
General government	21,200	23,548	(2,348)
Public safety -			
Police	6,100	3,918	2,182
Capital outlay	<u>---</u>	<u>---</u>	<u>---</u>
Total expenditures	<u>27,300</u>	<u>27,466</u>	<u>(166)</u>
Excess (deficiency) of revenues over expenditures	400	1,768	1,368
Transfer out	<u>---</u>	<u>(1,650)</u>	<u>(1,650)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	400	118	(282)
Fund balance, beginning	<u>21,600</u>	<u>21,600</u>	<u>---</u>
Fund balance, ending	<u>\$ 22,000</u>	<u>\$ 21,718</u>	<u>\$ (282)</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF SIMPSON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
 RETAINED EARNINGS - PROPRIETARY FUND TYPE
 Year ended June 30, 1999

Operating revenue:

Charges for services -	
Water sales	\$ <u>56,670</u>

Total operating revenue	<u>56,670</u>
-------------------------	---------------

Operating expenses:

Salaries and wages	10,659
Payroll taxes	3,717
Travel	560
Office expense	931
Insurance	1,538
Repairs and maintenance	17,592
Professional services	942
Miscellaneous	981
Depreciation	21,571
Sales tax expense	1,371
Water treatment	639
Utilities	<u>7,548</u>

Total operating expenses	<u>68,049</u>
--------------------------	---------------

Operating income (loss)	<u>(11,379)</u>
-------------------------	-----------------

Nonoperating revenue (expenses)

Miscellaneous income	434
Interest income	1,792
Interest expense	<u>(6,060)</u>

Total nonoperating revenue (expenses)	<u>(3,834)</u>
Transfers In - General Fund	15,000

Net (loss)	(213)
------------	-------

Add: amortization of contributed capital	<u>15,240</u>
--	---------------

Increase in retained earnings	15,027
-------------------------------	--------

Retained earnings, beginning	<u>97,363</u>
------------------------------	---------------

Retained earnings, ending	<u>\$112,390</u>
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The accompanying notes are an integral part of this statement.

VILLAGE OF SIMPSON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
 RETAINED EARNINGS - PROPRIETARY FUND TYPE
 Year ended June 30, 1998

Operating revenue:

Charges for services - Water sales	<u>\$54,049</u>
---------------------------------------	-----------------

Total operating revenue	<u>54,049</u>
-------------------------	---------------

Operating expenses:

Salaries and wages	10,612
Payroll taxes	2,546
Travel	597
Office expense	414
Insurance	1,912
Repairs and maintenance	2,685
Professional services	650
Miscellaneous	2,448
Depreciation	21,556
Sales tax expense	1,592
Water treatment	772
Utilities	<u>8,058</u>

Total operating expenses	<u>53,842</u>
--------------------------	---------------

Operating income (loss)	<u>207</u>
-------------------------	------------

Nonoperating revenue (expenses)

Miscellaneous income	355
Interest income	2,417
Interest expense	<u>(4,338)</u>

Total nonoperating revenue (expenses)	<u>(1,566)</u>
Transfers In - General Fund	1,650

Net income	291
------------	-----

Add: amortization of contributed capital	<u>15,240</u>
--	---------------

Increase in retained earnings	15,531
-------------------------------	--------

Retained earnings, beginning	<u>81,832</u>
------------------------------	---------------

Retained earnings, ending	<u>\$97,363</u>
---------------------------	-----------------

The accompanying notes are an integral part of this statement.

VILLAGE OF SIMPSON
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
Year ended June 30, 1999

CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating income (loss)	\$ (11,379)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	21,571
Changes in assets and liabilities:	
Accounts receivable	788
Accounts payable	(1,432)
Due to other funds	2,195
Retirement deductions payable	<u>(30)</u>
Net cash provided by operating activities	<u>11,713</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in	<u>15,000</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Acquisition of property, plant and equipment	(3,976)
Payments on long-term debt	(5,316)
Interest paid on long-term debt	(6,135)
Miscellaneous income	<u>434</u>
Net cash used by capital financing activities	<u>(14,993)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	<u>1,792</u>
Net cash provided by investing activities	<u>1,792</u>
INCREASE IN CASH	13,512
CASH, BEGINNING OF YEAR	<u>86,748</u>
CASH, END OF YEAR	<u>\$100,260</u>
CLASSIFIED AS:	
Current Assets	\$ 48,185
Restricted Assets	<u>52,075</u>
Totals	<u>\$100,260</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF SIMPSON
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
Year ended June 30, 1998

CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating income (loss)	\$ 207
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	21,556
Changes in assets and liabilities:	
Accounts receivable	269
Accounts payable	610
Retirement Deductions Payable	<u>(120)</u>
Net cash provided by operating activities	<u>22,522</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in	<u>1,650</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Payments on long-term debt	(7,201)
Interest paid on long-term debt	(4,500)
Miscellaneous income	<u>355</u>
Net cash used by capital financing activities	<u>(11,346)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	<u>2,417</u>
Net cash provided by investing activities	<u>2,417</u>
INCREASE IN CASH	15,243
CASH, BEGINNING OF YEAR	<u>71,505</u>
CASH, END OF YEAR	<u>\$86,748</u>
CLASSIFIED AS:	
Current Assets	\$39,908
Restricted Assets	<u>46,840</u>
Totals	<u>\$86,748</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF SIMPSON

NOTES TO FINANCIAL STATEMENTS
June 30, 1999

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Simpson was incorporated August 28, 1967, under the provisions of the Lawrason Act. The Village operates under a Mayor - Board of Aldermen form of government.

The accounting and reporting policies of the Village of Simpson conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:513 and to the guides set forth in the Louisiana Governmental Audit Guide, and to the industry audit guide, Audits of State and Local Government Units.

The following is a summary of certain significant accounting policies.

Financial reporting entity. This report includes all funds and account groups which are controlled by or dependent on the Village executive and legislative branches (the Mayor and Board of Aldermen). Control by or dependence on the Village was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

Fund accounting. The accounts of the Village of Simpson are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two generic fund types and two broad fund categories as follows:

Governmental Funds -

General Fund

The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund

The Village entered into a 1998 Louisiana Community Development Block Grant program on September 11, 1998 for a total contract of \$284,800. The funding purpose was to fund housing rehabilitation for selected and eligible moderate and low income families and is being accounted for as a special revenue fund.

VILLAGE OF SIMPSON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Proprietary Fund -

Enterprise funds

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

Cash and cash equivalents. Cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits, with maturities of three months or less when acquired.

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

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

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund types when purchased. The Village has elected to capitalize public domain ("infrastructure") fixed assets consisting of certain improvements other than buildings, including roads, bridges, sidewalks, and drainage improvements. No depreciation has been provided on general fixed assets.

All 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 their activity are included on their balance sheets.

VILLAGE OF SIMPSON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Water Utility -	
Plant and equipment	50 years
Extensions	20 years
Well and equipment	50 years

All fixed assets are stated at historical cost. Donated fixed assets are stated at their estimated fair market value on the date donated.

Contributed capital. Contributed capital is amortized on a straight-line basis over the respective asset life to which the asset relates.

Basis of accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on long-term debt is recognized when due.

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

VILLAGE OF SIMPSON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Budgets and budgetary accounting

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

1. The Village Clerk prepares a proposed budget and submits the same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after the publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or 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.
7. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen. Such amendments were not material in relation to the original appropriations.

Investments. Investments are stated at cost.

Bad debts. Uncollectible amounts due for customers' utility receivables will be recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

VILLAGE OF SIMPSON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

NOTE 2--CASH AND INVESTMENT COLLATERAL

Under state law, the library 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 offices in Louisiana. At June 30, 1999, the Village has cash and cash equivalents totaling \$124,799 as follows:

Interest-bearing demand deposits	\$ 73,540
Time deposits	<u>51,259</u>
Total	<u>\$124,799</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposits (bank balances) at June 30, 1999, are secured as follows:

Bank balances	<u>\$125,517</u>
Federal deposit insurance	\$125,517
Pledged securities (Category 3)	<u>---</u>
Total	<u>\$125,517</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the library that the fiscal agent has failed to pay deposited funds upon demand.

VILLAGE OF SIMPSON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 3--RECEIVABLES

Receivables at June 30, 1999 consist of the following:

	<u>General</u>	<u>Enterprise</u>	<u>Totals</u>
Receivables:			
Intergovernmental	\$ 724	\$ ---	\$ 724
Franchise taxes	1,421	---	1,421
Accounts	<u>---</u>	<u>798</u>	<u>798</u>
	2,145	798	2,943
Allowance for doubtful accounts	<u>---</u>	<u>---</u>	<u>---</u>
Net total receivables	<u>\$ 2,145</u>	<u>\$ 798</u>	<u>\$ 2,943</u>

NOTE 4--INTERFUND RECEIVABLES, PAYABLES

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 3,471	\$ ---
Enterprise Fund - Utility Fund	<u>---</u>	<u>3,471</u>
	<u>\$ 3,471</u>	<u>\$ 3,471</u>

NOTE 5--RESTRICTED ASSETS - PROPRIETARY FUND TYPE

Restricted assets were applicable to the following at June 30, 1999:

Bond and interest account	\$ 39,925
Bond reserve account	6,893
Bond contingency account	<u>5,257</u>
Total restricted assets	<u>\$ 52,075</u>

VILLAGE OF SIMPSON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 6-- PROPERTY, PLANT, AND EQUIPMENT/
GENERAL FIXED ASSET

A summary of proprietary fund type plant and equipment at June 30, 1999 follows:

Water Utility	
Plant and equipment	\$612,432
Well and equipment	77,859
Office equipment	3,039
Extensions	<u>8,276</u>
Total	701,606
Less accumulated depreciation	<u>(198,063)</u>
Net	<u>\$503,543</u>

A summary of changes in general fixed assets for the two years ended June 30, 1999 follows:

Year Ended June 30, 1999:

	<u>Balance 6/30/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/99</u>
Land	\$ 4,000	\$ ---	\$ ---	\$ 4,000
Buildings	16,366	---	---	16,366
Equipment	82,550	---	---	82,500
Improvements other than buildings	<u>5,332</u>	<u>1,800</u>	<u>---</u>	<u>7,132</u>
Total	<u>\$108,248</u>	<u>\$ 1,800</u>	<u>\$ ---</u>	<u>\$110,048</u>

Year Ended June 30, 1998:

	<u>Balance 6/30/97</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/98</u>
Land	\$ 4,000	\$ ---	\$ ---	\$ 4,000
Buildings	16,366	---	---	16,366
Equipment	82,550	---	---	82,550
Improvements other than buildings	<u>5,332</u>	<u>---</u>	<u>---</u>	<u>5,332</u>
Total	<u>\$108,248</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$108,248</u>

VILLAGE OF SIMPSON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 7--ACCUMULATED UNPAID VACATION AND SICK LEAVE

The Village requires all employees to take vacations currently. Therefore, any accumulated vacation pay would be less than a year's accrual. Additionally, sick leave is not accumulated.

NOTE 8--CHANGES IN LONG-TERM DEBT

The following is a summary of bond transactions of the Village of Simpson for the two years ended June 30, 1999:

	<u>Revenue Bonds</u>		
	<u>5/26/71</u>	<u>3/25/77</u>	<u>Totals</u>
Bonds payable, 6/30/97	\$ 87,000	\$ 29,051	\$116,051
Bonds retired:			
Year ended 6/30/98	(5,000)	(2,201)	(7,201)
Year ended 6/30/99	<u>(5,000)</u>	<u>(316)</u>	<u>(5,316)</u>
Bonds payable, 6/30/99	<u>\$ 77,000</u>	<u>\$ 26,534</u>	<u>\$103,534</u>

Bonds payable at June 30, 1999 are comprised of the following individual issues:

Revenue Bonds:

\$140,000 of Waterworks Revenue Bonds dated May 26, 1971; due in annual installments of \$2,000 - \$9,000 through 2011; interest at 5%	\$ 77,000
\$40,000 of Waterworks Revenue Bonds dated March 25, 1977; due in annual installments of \$2,331 through 2017; interest at 5%	<u>26,534</u>
	<u>\$ 103,534</u>

VILLAGE OF SIMPSON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 8--CHANGES IN LONG-TERM DEBT(Continued)

The annual requirements to amortize all revenue bonds outstanding as of June 30, 1999, including interest payments of \$37,099 are as follows:

<u>Year Ending</u>	<u>Revenue Bonds \$140,000</u>	<u>Revenue Bonds \$40,000</u>	<u>Totals</u>
2000	\$ 8,850	\$ 2,351	\$ 11,201
2001	8,600	2,351	10,951
2002	8,350	2,351	10,701
2003	8,100	2,351	10,451
2004	7,850	2,351	10,201
2005-2009	30,500	11,755	42,255
2010-2014	28,350	11,755	40,105
2015-2016	---	4,768	4,768
	<u>\$100,600</u>	<u>\$40,033</u>	<u>\$140,633</u>

NOTE 9--FLOW OF FUNDS: RESTRICTION ON USE - UTILITIES REVENUE

Section 11 of the Bond Resolution adopted by the Village of Simpson, on May 26, 1971, authorizing the issuance of \$140,000 of Waterworks Revenue Bonds dated September 15, 1971, provides the following:

- (1) The income and revenues of said water system shall be deposited daily as same may be collected in a special bank account to be designated "Water Utility System Revenue Fund". After the payment of all reasonable expenses of administration, operations and maintenance of the system, payments must be made into various funds on or before the twentieth of each month as shown below:

VILLAGE OF SIMPSON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 9--FLOW OF FUNDS: RESTRICTION ON USE - UTILITIES
REVENUE (CONTINUED)

- (a) To a "Utility Revenue Bond Sinking Fund" a sum equal to 1/12 of the interest and principal falling due on the next principal payment date.
- (b) To a "Water Utility Revenue Bond Reserve Fund" a sum equal to 5% of the monthly Sinking Fund deposit shown in (a) above, such deposit to continue until an amount equal to the highest annual remaining debt service has been reached. These funds are to be retained solely for the purpose of paying principal and interest if funds are not available in (a) above.
- (c) To a "Depreciation and Contingencies Fund" to care for extensions, additions, improvements, and renewals, the sum of \$50 per month.

All deposits in the Reserve and Contingencies Fund may be invested in direct obligations of the United States maturing in five years or less and any income derived therefrom can be treated as income to the revenue fund for the period during which it is received.

All monies remaining in the System Revenue Fund, after making the above payments may be used for calling and/or paying bonds payable from the revenues of the system or for such other lawful corporate purposes as the governing authority may determine, whether such purposes are or are not related to the system.

On March 25, 1977, the Village issued additional revenue bonds in the amount of \$40,000 payable in annual installments of \$2,331 due 1978 to 2017. These water utility revenue bonds of the Village of Simpson were issued on a parity with the outstanding water utility bonds of 1971 and the resolution setting forth such new bonds provided for the same flow of funds and restrictions as provided in the 1971 resolution except as follows:

- (1) Section 8 increased the monthly deposit in the Depreciation and Contingencies Fund to \$50 per month instead of \$40 per month as previously required.
- (2) Section 11 provided that out of the proceeds of the bonds sold, there shall be deposited to the Reserve Fund the sum of \$3,000.

Proceeds of the bonds were used to provide for a new water well and to construct extensions to the existing water system.

VILLAGE OF SIMPSON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 10--RETIREMENT COMMITMENTS

The public employee of the Village of Simpson is a member of the State retirement system for municipal police employees. Contributions to the system are made by both the employee and the Village as a percentage of salary.

Note 11- RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts, theft or damage and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Village carries commercial insurance as outlined in the following table. Settled claims did not exceed commercial coverage for any of the past three fiscal years.

<u>LIMITS OF COVERAGE</u>	
Workmen's compensation (employer's liability)	\$ 100,000/500,000/100,000
Auto liability	500,000
Commercial general liability	500,000
Village-owned buildings and equipment	199,100

The Village covers all other losses, claim settlements, and judgments from operating resources. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The Village was not involved in any litigation nor did it have asserted claims lodged against it.

SUPPLEMENTARY INFORMATION

VILLAGE OF SIMPSON

COMPENSATION OF BOARD MEMBERS

For the two years ended June 30, 1999

The schedule of per diem paid to board members was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 session of the Legislature.

Year Ended June 30, 1999:

	<u>Number</u> <u>Attended</u>	<u>Amount</u>
Joe Parker, Mayor	13	\$1,250
Roger Bennett, Alderman	13	625
James Mashburn, Alderman	13	625
Gene Stephens, Alderman	12	<u>600</u>
Totals		<u>\$3,100</u>

Year Ended June 30, 1998:

	<u>Number</u> <u>Attended</u>	<u>Amount</u>
Joe Parker, Mayor	12	\$1,200
Roger Bennett, Alderman	12	600
James Mashburn, Alderman	12	600
Gene Stephens, Alderman	12	<u>600</u>
Totals		<u>\$3,000</u>

See independent auditor's report.

Village of Simpson

SCHEDULE OF PRIOR YEAR FINDINGS

For the Two Years Ended June 30, 1999

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS**

There were no prior year findings relating to internal control and compliance material to the financial statements.

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL
AWARDS**

There were no prior year findings relating to internal control and compliance material to federal awards.

SECTION III MANAGEMENT LETTER

There was no management letter with prior year audit report.

See independent auditor's report.

Village of Simpson

MANAGEMENT'S CORRECTIVE ACTION PLAN

For the Fiscal Year Ended June 30, 1999

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENT**

N/A

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL
AWARDS**

N/A

SECTION III MANAGEMENT LETTER

N/A

See independent auditor's report.

Village of Simpson
Required Supplemental Information
Year 2000 Supplementary Information
June 30, 1999

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Village's operations as early as fiscal year 1999.

The Village's general ledger is manual, but its water billing system is processed by an outside firm and that firm has certified to the Village that it is Year 2000 compliant.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of the related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the Village is or will be Year 2000 ready, the Village's remediation efforts will be successful in whole or in part, or that parties with whom the Village does business will be Year 2000 ready.

See independent auditor's report.