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**Village of Simpson**

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**Simpson, North Carolina**

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**Audit Report**

**June 30, 2019**

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# **VILLAGE OF SIMPSON**

## **SIMPSON, NORTH CAROLINA**

### **VILLAGE OFFICIALS**

#### **Mayor**

Richard C. Zeck

#### **Village Commissioners**

Brenda Hawkins – Mayor Pro Tem

Dianne Thomas

Mary Moye

#### **Village Clerk**

Elaine Martin

#### **Village Finance Clerk**

Susan Ellsworth

Village of Simpson, North Carolina  
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June 30, 2019

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# LARRY E. CARPENTER, CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

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## **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the Village Council  
Village of Simpson, North Carolina

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on the audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

*Member:*

American Institute of Certified Public Accountants, NC Association of Certified Public Accountants  
AICPA – Governmental Audit Quality Center

2313 Executive Circle, Suite B • GREENVILLE, NC 27834 • (252) 561-8292 • FAX (888) 850-0782  
[www.lecarpentercpa.com](http://www.lecarpentercpa.com) • [info@lecarpentercpa.com](mailto:info@lecarpentercpa.com)

## **Opinions**

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining funds of Village of Simpson, North Carolina as of June 30, 2019, and the respective changes in financial position, and cash flows, where appropriate, thereof and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 36 and 37, respectively, 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 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 general accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Village of Simpson, North Carolina. The individual fund statements, budgetary schedules, and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Larry E. Carpenter, CPA, PA*

Greenville, NC  
September 25, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the Village of Simpson, we offer readers of the Village of Simpson's financial statements this narrative overview and analysis of the financial activities of the Village of Simpson for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Village of Simpson's financial statements, which follow this narrative.

### **Financial Highlights**

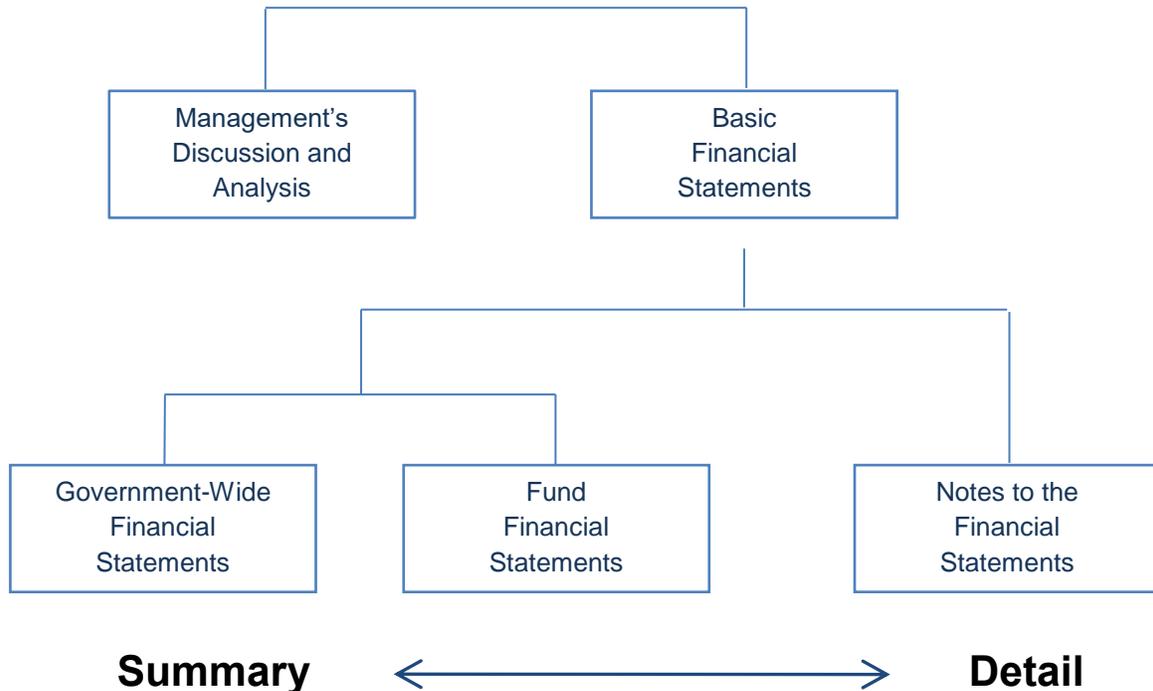
- The assets and deferred outflows of resources of the Village of Simpson exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$287,397 (*net position*).
- The government's total net position increased by \$80,419, primarily due to an increase in both the governmental.
- As of the close of the current fiscal year, the Village of Simpson's governmental funds reported ending fund balances of \$210,896 with a net change of \$58,536 in fund balance. Approximately 86.98% percent of this total amount, or \$183,447, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$183,447, or 72.41% percent of total general fund expenditures for the fiscal year.
- At the end of the current fiscal year, the Village of Simpson had restricted reserves of \$4,645.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Village of Simpson's basic financial statements. The Village of Simpson's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Village of Simpson through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Village of Simpson.

### Components of the Annual Financial Report

Figure 1:



#### **Basic Financial Statements**

The first two statements (Exhibits A-1 and A-2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Village of Simpson's financial status. The next statements (Exhibits A-3 through A-9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Village of Simpson's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the Village of Simpson's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

#### **Government-wide financial statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Village of Simpson's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Village of Simpson's

financial status as a whole.

The two government-wide statements report the Village of Simpson's net position and how it has changed. Net position is the difference between the Village of Simpson's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Village of Simpson's financial condition.

The government-wide statements consist of the governmental activities. The governmental activities include most of the Village of Simpson's basic services such as public safety, cultural and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities.

The government-wide financial statements are on Exhibits A-1 and A-2 of this report.

### **Fund financial statements**

The fund financial statements (see Figure 1) provide a more detailed look at the Village of Simpson's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Simpson, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Village of Simpson's budget ordinance. All of the funds of Village of Simpson can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds:** Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Village of Simpson's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Village of Simpson's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Village of Simpson adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Village of Simpson, the management of the Village of Simpson, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Village of Simpson to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Village of Simpson complied with the budget ordinance and whether or not the Village of Simpson succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Village Council; 2) the final budget as amended by the Village Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Notes to the financial statements:** The notes provide additional information that is essential to a full

understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 19 of this report.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Village of Simpson's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 36 of this report.

**Interdependence with Other Entities:** The Village of Simpson depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Village of Simpson is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

**Village of Simpson's Net Position**

**Figure 2**

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
Current and other assets	\$ 217,280	\$ 164,077
Pension assets		
Capital assets	83,493	55,791
Deferred outflows of resources	20,693	14,732
Total assets and deferred outflows of resources	<u>321,466</u>	<u>234,600</u>
Current liabilities	1,686	8,955
Noncurrent liabilities	29,892	-
Deferred inflows of resources	2,491	15,124
Total liabilities and deferred inflow of resources	<u>34,069</u>	<u>24,079</u>
Net investment in capital assets	83,493	51,786
Restricted	27,449	28,320
Unrestricted	176,455	126,872
Total net position	<u>\$ 287,397</u>	<u>\$ 206,978</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Village of Simpson exceeded liabilities by \$287,397 as of June 30, 2019. The Village of Simpson's net position increased by \$80,419 for the fiscal year ended June 30, 2019. However, the largest portion, \$83,493 or 29.05%, reflects the Village of Simpson's net investment in capital assets (e.g.

*Management's Discussion and Analysis*  
*Village of Simpson*

land, buildings, machinery, and equipment). The Village of Simpson uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village of Simpson's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Village of Simpson's net position, \$27,449 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$176,455 is unrestricted.

**Village of Simpson's Changes in Net Position**

**Figure 3**

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 32,017	\$ 27,508
Operating grants and contributions	46,037	12,836
Capital grants and contributions	-	-
General revenues:		
Property taxes	100,484	98,090
Other taxes	113,815	102,464
Unrestricted intergovernmental	-	-
Investment earnings		
Investment earnings	3	6
Other	4,720	1,735
Total revenues	<u>297,076</u>	<u>242,639</u>
<b>Expenses:</b>		
General government	107,560	156,994
Public safety	14,833	32,134
Transportation	37,813	27,441
Environmental protection	51,162	22,486
Culture and recreation	5,270	830
Interest on long-term debt	19	446
Total expenses	<u>216,657</u>	<u>240,331</u>
Increase in Net Position before transfers	<u>80,419</u>	<u>2,308</u>
Increase (decrease) in Net Position	80,419	2,308
Net Position, July 1	<u>206,978</u>	<u>214,192</u>
Net Position, June 30	<u>\$287,397</u>	<u>\$216,500</u>

**Governmental activities:** Governmental activities increased the Village net position by \$80,419.

**Financial Analysis of the Village's Funds**

As noted earlier, the Village of Simpson uses fund accounting to ensure and demonstrate compliance will finance-related legal requirements.

*Management's Discussion and Analysis*  
*Village of Simpson*

**Governmental Funds.** The focus of the Village of Simpson's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Village of Simpson's financing requirements.

The General Fund is the chief operating fund of the Village of Simpson. At the end of the current fiscal year, the Village of Simpson's fund balance available in the General Fund was \$183,447, while total fund balance reached \$210,896. The Village of Simpson currently has an available fund balance of 72.41% of general fund expenditures, while total fund balance represents 83.25% of the same amount.

At June 30, 2019, the governmental funds of the Village of Simpson reported a fund balance of \$210,896 with a net increase in fund balance of \$58,536.

The North Carolina Local Government Commission strongly recommends that local governments maintain an unassigned fund balance of at least 8% of general fund expenditures. Unassigned fund balance is a sub classification of unassigned fund balance after consideration for management's policy designations.

**General Fund Budgetary Highlights**

During the fiscal year, the Village of Simpson revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

**Capital Asset and Debt Administration**

**Capital assets.** The Village of Simpson's investment in capital assets for its governmental and business—type activities as of June 30, 2019, totaled \$83,493 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital assets transactions during the year included the following:

**Village of Simpson's Capital Assets**  
*(Net of Accumulated Depreciation)*

**Figure 4**

	<b>Governmental</b>	
	<b>Activities</b>	
	<b>2019</b>	<b>2018</b>
Land	\$ 14,299	\$ 14,299
Buildings	7,600	16,295
Equipment	15,085	6,310
Vehicles	4,037	15,912
Improvements	42,473	2,975
Capital assets, net	<u>\$ 83,493</u>	<u>\$ 70,940</u>

**Long-term Debt:** As of June 30, 2019, the Village of Simpson had no installment purchases debt outstanding.

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
Installment loans	\$ -	\$ 4,005
Pension related debts	29,892	15,124
Total	<u>\$29,892</u>	<u>\$ 43,658</u>

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries.

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

The following key economic indicators reflect the general condition of the Town. The economic crisis of prior years continues to contribute to the factors below:

- High unemployment, an aged population, no industrial development, and very little retail business help to create a situation where the Town's customer base is eroded. The resulting ratio of expense versus revenue creates a difficult situation in keeping rates and fees low while maintaining an adequate level of service. In addition, most residents are on fixed income.

### **Budget Highlights for the Fiscal Year Ending June 30, 2019**

Tax revenues along with other general fund revenues are expected to remain constant and no property tax rate increase is being considered at this time.

### **Requests for Information**

This report is designed to provide an overview of the Village of Simpson's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to

**Village Clerk  
Village of Simpson  
P. O. Box 10  
Simpson, North Carolina 27879**

## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Village of Simpson, North Carolina**  
**Statement of Net Position**  
**June 30, 2019**

	<b>Primary Government</b>
	<b>Governmental Activities</b>
<b>ASSETS</b>	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 185,133
Taxes receivable, net	4,698
Accounts receivable, net	22,804
Restricted cash and cash equivalents	4,645
<b>Total Current Assets</b>	<b>217,280</b>
<i>Noncurrent Assets</i>	
Land and other nondepreciable assets	14,299
Other capital assets, net of depreciation	69,194
<b>Total Assets</b>	<b>300,773</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Aggregated deferred outflows	20,693
<b>Total Deferred Outflows of Resources</b>	<b>20,693</b>
<b>LIABILITIES</b>	
<i>Current Liabilities</i>	
Accounts payable and accrued liabilities	1,686
<i>Noncurrent Liabilities</i>	
Total pension liability	29,892
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Aggregated deferred inflows	2,491
<b>Total Deferred Inflows of Resources</b>	<b>2,491</b>
<b>NET POSITION</b>	
Net investment in capital assets	83,493
<i>Restricted for:</i>	
Stabilization by State Statute	22,804
Streets	4,645
<i>Unrestricted</i>	176,455
<b>Total Net Position</b>	<b>\$ 287,397</b>

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

**Village of Simpson, North Carolina  
Statement of Activities  
For the Year Ended June 30, 2019**

Exhibit A-2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Government Governmental Activities</u>
<b>Primary Government</b>					
<b>Governmental Activities:</b>					
General government	107,560	31,891	33,108	--	(42,561)
Public safety	\$ 14,833	\$ 126	\$ --	\$ --	\$ (14,707)
Transportation	37,813	--	12,929	--	(24,884)
Environmental protection	51,162	--	--	--	(51,162)
Cultural and recreational	5,270	--	--	--	(5,270)
Interest and other charges	19	--	--	--	(19)
<b>Total Governmental Activities</b>	<b>216,657</b>	<b>32,017</b>	<b>46,037</b>	<b>--</b>	<b>(138,603)</b>

**General Purpose Revenues and Transfers:**

**Revenues**

Ad valorem taxes	100,484
Unrestricted intergovernmental	113,815
Miscellaneous Income	1,449
Sale of capital assets	3,271
Investment earnings	3
<b>Total General Revenues and Transfers</b>	<b>219,022</b>
<b>Change in Net Position</b>	<b>80,419</b>
<i>Net Position at Beginning of Period</i>	206,978
<b>Net Position at End of Period</b>	<b>\$ 287,397</b>

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

## **FUND FINANCIAL STATEMENTS**

**Village of Simpson, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2019**

	<b>Major Fund</b>
	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 185,133
Taxes receivable, net	4,698
Accounts receivable, net	22,804
Restricted cash and cash equivalents	4,645
<b>Total Assets</b>	<b>217,280</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Aggregated deferred outflows	--
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 217,280</b>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 1,686
<b>Total Liabilities</b>	1,686
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Aggregated deferred inflows	4,698
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>6,384</b>
<b>FUND BALANCE</b>	
Restricted	27,449
Stabilization by State Statute	22,804
Streets	4,645
Unassigned	183,447
<b>Total Fund Balance</b>	<b>210,896</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 217,280</b>

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

**Village of Simpson, North Carolina  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2019**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds	\$	210,896
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		83,493
Net pension assets/liabilities resulting from contributions greater than or less than the amount of annual required contributions are not financial resources and therefore are not reported in the funds.		(29,892)
Long-term liabilities used in governmental activities are not financial uses and, therefore are not reported in the funds.		4,005
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(4,005)
Deferred outflows of resources related to pensions are not reported in the funds		20,693
Deferred inflows of resources related to pensions are not reported in the funds		(2,491)
Earned revenues considered deferred inflows of resources in fund statements.		4,698
<b>Total Net Position-Governmental Funds</b>	<b>\$</b>	<b><u>287,397</u></b>

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

**Village of Simpson, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

	<b>Major Fund</b>
	<b>General Fund</b>
<b>Revenues</b>	
Ad valorem taxes	\$ 102,553
Unrestricted intergovernmental	113,815
Restricted intergovernmental	46,037
Sales and services	22,117
Miscellaneous Income	11,349
Investment earnings	3
<b>Total Revenues</b>	<b>295,874</b>
<b>Expenditures</b>	
Principal	4,005
Interest and other charges	19
General government	95,523
Public safety	11,000
Transportation	36,907
Environmental protection	51,162
Cultural and recreational	54,722
<b>Total Expenditures</b>	<b>253,338</b>
<b>Excess of Revenues Over</b>	
<b>(Under) Expenditures</b>	<b>42,536</b>
<b>Other Financing Sources (Uses)</b>	
Sale of capital assets	16,000
<b>Net Change in Fund Balance</b>	<b>58,536</b>
<i>Fund Balance at Beginning of Period</i>	152,360
<b>Fund Balance at End of Period</b>	<b>\$ 210,896</b>

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

**Village of Simpson, North Carolina**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended June 30, 2019**

Amounts reported for governmental activities in the Statement of Activities are different because:

Total Net Change in Fund Balances - Governmental Funds	\$	58,536
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		56,389
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		4,005
Contracts for long-term capital lease obligations provide current financial resources to Governmental Funds and are not reported as a liability in the Governmental Funds.		(1,995)
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. This is the amount by which capital outlays exceeded depreciation in the current period.		(13,963)
Certain proceeds from the sale of assets that affect Governmental funds do not constitute a gain on the Statement of Activities and certain book losses that are not included in the Governmental Funds should be reported on the Statement of Activities.		(12,729)
Pension expense		(7,755)
<b>Changes in Net Position-Governmental Funds</b>	<b>\$</b>	<b><u>80,419</u></b>

*The accompanying notes are an integral part of the financial statements.*

**Village of Simpson, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) Final to Actual
<b>Revenues</b>				
Ad valorem taxes	\$ 100,000	\$ 100,000	\$ 102,553	\$ 2,553
Unrestricted intergovernmental	102,900	102,900	113,815	10,915
Restricted intergovernmental	19,100	19,100	46,037	26,937
Sales and services	22,006	22,006	22,117	111
Miscellaneous Income	2,900	2,900	11,349	8,449
Investment earnings	--	--	3	3
<b>Total Revenues</b>	<u>246,906</u>	<u>246,906</u>	<u>295,874</u>	<u>48,968</u>
<b>Other Financing Sources</b>				
<b>Total Revenues and Other Financing Sources</b>	<u>246,906</u>	<u>246,906</u>	<u>295,874</u>	<u>48,968</u>
<b>Expenditures</b>				
General government	96,930	96,930	95,523	1,407
Public safety	21,840	21,840	11,000	10,840
Transportation	63,483	63,483	36,907	26,576
Environmental protection	52,193	52,193	51,162	1,031
Cultural and recreational	58,300	58,300	54,722	3,578
Principal	4,005	4,005	4,005	--
Principal	155	155	19	136
<b>Total Expenditures</b>	<u>296,906</u>	<u>296,906</u>	<u>253,338</u>	<u>43,568</u>
<b>Other Financing Uses</b>				
Appropriations	(50,000)	(50,000)	--	(50,000)
<b>Total Expenditures and Other Financing Uses</b>	<u>246,906</u>	<u>246,906</u>	<u>253,338</u>	<u>(6,432)</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	--	--	42,536	42,536
Gain from Sale of Assets	--	--	16,000	16,000
<b>Net Change in Fund Balance</b>	<u>\$ --</u>	<u>\$ --</u>	<u>58,536</u>	<u>\$ 58,536</u>
<i>Fund Balance at Beginning of Period</i>			152,360	
<b>Fund Balance at End of Period</b>			<u>\$ 210,896</u>	

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

## **Notes To The Financial Statements**

Village of Simpson  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019

**NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Village of Simpson conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

The Village of Simpson is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the financial information of the Village.

**B. Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for the different type activities of the Village of Simpson and for each function of the Village of Simpson's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the Village of Simpson's funds. Separate statements for each fund category — governmental and proprietary — are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Village of Simpson reports the following major governmental fund:

**General Fund.** The General Fund is the general operating fund of the Village of Simpson. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

Village of Simpson  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019

The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. (The primary expenditures are for public safety and street maintenance and construction).

***C. Measurement Focus and Basis of Accounting***

In accordance with North Carolina General Statutes, all funds of the Village are maintained during the year using the modified accrual basis of accounting.

*Government-wide Financial Statements.* The government-wide fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Village of Simpson considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Village of Simpson  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Village are recognized as revenue. Sales taxes are considered a shared revenue for the Village of Simpson because the tax is levied by Pitt County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Village funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Village of Simpson's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

***D. Budgetary Data***

The Village of Simpson's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. The Village Manager has the authority to amend appropriations within departments. All other amendments must be approved by the governing board.

***E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity***

***1. Deposits and Investments***

All deposits of the Village are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Village may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Village of Simpson may establish time deposit accounts such as NOW and Super NOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)], authorizes the Village of Simpson to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Village of Simpson's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, a SEC registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

Village of Simpson  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019

**2. Cash and Cash Equivalents**

The Village of Simpson pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**3. Restricted Assets**

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening local streets per G.S. 136-41.1 through 136-41.4. Customer deposits are classified as restricted cash because they must be returned to the customer at the conclusion of service.

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Village of Simpson levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2016. As allowed by State law, the Village of Simpson has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Village of Simpson's General Fund, ad valorem tax revenues are reported net of such discounts.

**5. Allowances for Doubtful Accounts**

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

**6. Inventory & Prepaid Items**

The inventories of the Village of Simpson are valued at cost (first-in, first-out), which approximates market. The inventories of the Village of Simpson's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

**7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair 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.

Village of Simpson  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30 years
Buildings	20-40 years
Improvements	10-20 years
Furniture and equipment	5-10 years
Computers	4-5 years

**8. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Village of Simpson has one item that meets this criterion, contributions made to the pension plan in the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Village of Simpson has two items that meet the criterion for this category= property taxes receivable, and pension deferrals.

**9. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Village of Simpson  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019

**10. Compensated Absences**

The vacation policy of the Village of Simpson provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Village of Simpson's government wide and proprietary funds, an expense and a liability for compensated absences and the salary related payments are recorded as the leave is earned. The Village of Simpson has assumed a first in, first out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year (if applicable) has been designated as a current liability in the government wide financial statements.

**11. Net Position/Fund Balances**

*Net Position*

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

*Fund Balances*

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

*Nonspendable Fund Balance* — This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Village of Simpson does not have any nonspendable fund balances for the governmental fund types.

*Restricted Fund Balance* — This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

*Restricted for Stabilization by State Statute* — portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

*Restricted for Streets—Powell Bill* — portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

*Committed Fund Balance* — portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Village of Simpson's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or otherwise revise the limitation.

Village of Simpson  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019

*Assigned Fund Balance* — portion of fund balance that the Village of Simpson intends to use for specific purposes.

*Subsequent years' expenditures*— portion of fund balance that is appropriated in the next years' budget that is not already classified in restricted or committed. The governing body approves the appropriation.

*Unassigned Fund Balance* — the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

## **12. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to / deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Village of Simpson employer contributions are recognized when due and the Village of Simpson has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

## **NOTE II—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A. Significant Violations of Finance-Related Legal and Contractual Provisions**

- 1. Noncompliance with North Carolina General Statutes**  
NONE
- 2. Contractual Violations**  
NONE
- 3. Deficit in Fund Balance or Net Position of Individual Funds**  
NONE
- 4. Excess of Expenditures over Appropriations**  
NONE

Village of Simpson  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019

**NOTE III — DETAIL NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits and Investments**

All the deposits of the Village of Simpson are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Village of Simpson's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Village of Simpson these deposits are considered to be held by the Village of Simpson's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Village of Simpson or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Village of Simpson under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Village of Simpson has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Village of Simpson complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Village's deposits had a carrying amount of \$189,778 and a bank balance of \$195,421. Of the bank balance, \$195,421 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

**2. Receivables — Allowance for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowance for

General Fund:	doubtful accounts:
Taxes receivable	\$ 3,000
Accounts receivable	-
Total	\$ 3,000

Village of Simpson  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019

**3. Capital Assets**

**Governmental Capital Assets**

A summary of changes in the Village's capital assets used in governmental activities follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 14,299	\$ -	\$ -	\$ 14,299
Total capital assets not being depreciated	<u>14,299</u>	<u>-</u>	<u>-</u>	<u>14,299</u>
<b>Capital assets being depreciated:</b>				
Buildings	173,898	-	-	173,898
Equipment	146,316	10,628	-	156,944
Vehicles	58,197	4,943	31,823	31,317
Other improvements	6,000	40,818	-	46,818
Total capital assets being depreciated	<u>383,265</u>	<u>56,389</u>	<u>31,823</u>	<u>408,977</u>
<b>Less accumulated depreciation for:</b>				
Buildings	157,603	8,695	-	166,298
Equipment	140,006	1,854	-	141,860
Vehicles	42,285	4,088	19,094	27,280
Other improvements	3,025	1,320	-	4,345
Total accumulated depreciation	<u>326,624</u>	<u>\$ 15,958</u>	<u>\$ 19,094</u>	<u>339,783</u>
Total capital assets being depreciated, net	<u>56,641</u>			<u>69,194</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 70,940</u>			<u>\$ 83,493</u>

Depreciation expense was charged to functional programs of the primary government as follows:

<b>Governmental Activities:</b>	
General Government	\$ 9,224
Cultural and Recreational	1,995
Transportation	906
Public Safety	3,833
<b>Total</b>	<u>\$ 15,958</u>

Village of Simpson  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019

**B. Liabilities**

**1. Pension Plan Obligations**

**a. Local Governmental Employees' Retirement System**

*Plan Description.* The Village of Simpson is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members — nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached

Village of Simpson  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019

age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Village of Simpson employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Village of Simpson's contractually required contribution rate for the year ended June 30, 2019, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Village of Simpson were \$2,286 for the year ended June 30, 2019.

*Refunds of Contributions* —Village of Simpson employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2019, the Village of Simpson reported a total pension liability of \$29,892 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. The Village of Simpson's proportion of the net pension liability was based on a projection of the Village's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the Village of Simpson's proportion was 0.00126% which was a decrease of 0.00027% from its proportion measured as of December 31, 2016.

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Notes to the Financial Statements  
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	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 4,612	\$ 155
Changes of assumptions	7,932	-
Net difference between projected and actual earnings on pension plan investments	4,103	-
Changes in proportion and differences between employer	1,760	2,336
Employer contributions subsequent to the measurement date	2,286	
Total	\$ 20,693	\$ 2,491

For the year ended June 30, 2019, the Village of Simpson recognized pension expense of \$10,041. At June 30, 2019, the Village of Simpson reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Year ended June 30:**

2019	\$ 8,108
2020	4,994
2021	300
2022	2,513
2023	-
Thereafter	-
	\$ 15,915

\$2,286 reported as deferred outflows of resources related to pensions resulting from the Village of Simpson contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population.

Village of Simpson  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019

The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income returns projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.00%	2.5
Global Equity	40.50%	6.1
Real Estate	8.00%	5.7
Alternative	6.50%	10.5
Credit	4.50%	6.8
Inflation Protection	4.50%	3.7
Total	100.00%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Village of Simpson  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019

*Sensitivity of the Village's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Village of Simpson's proportionate share of the net pension asset calculated using the discount rate of 7.00%, as well as what the Village of Simpson's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

Sensitivity of the net pension liability (asset) to changes in discount rate	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Unit's proportionate share	71,802	29,892	(5,130)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

**2. Deferred Outflows and Inflows of Resources**

Source	Amount
<i>Deferred outflows of resources is comprised of the following:</i>	
Differences between expected and actual experience	4,612
Changes of assumptions	7,932
Net difference between projected and actual earnings on pension plan investments	4,103
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,760
Contributions to pension plan in current fiscal year	2,286
Total	\$ 20,693

*Deferred inflows of resources at year-end is comprised of the following:*

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes Receivable less penalties (General Fund)		1,698
Changes in assumptions	-	-
Differences between expected and actual experience	155	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	2,336	-
Total	\$ 2,491	\$ 1,698

Village of Simpson  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019

**3. Fund Balance**

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriations:

<b>Total Fund Balance-General Fund</b>	<b>\$ 210,896</b>
Less:	
Stabilization by State Statute	22,804
Streets-Powell Bill	4,645
Working Capital / Fund Balance Policy	-
Remaining Fund Balance	183,447

**4. Risk Management**

The Village of Simpson is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village of Simpson participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Village of Simpson obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Village of Simpson does not carry flood insurance as there has been no prior history of flooding on municipal property and the risk of flood related damage is minimal.

In accordance with G.S. 159-29, the Village of Simpson's employees that have access to \$100 or more at any given time of the Village's funds are performance bonded through a commercial surety bond. The Village of Simpson carries commercial insurance and has secured performance bonds for the finance officer and mayor. The mayor and the Village clerk are each bonded for \$50,000.

**5. Long-Term Obligations**

**Governmental Activities**

The Town records long-term debt of the governmental funds at face value in the government-wide statement of net position. All general obligation bonds serviced by the Village of Simpson's general fund are collateralized by the full faith, credit, and taxing power of the Village. Principal and interest payments are appropriated when due.

Village of Simpson  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019

**Changes in Long-Term Liabilities**

The following is a summary of changes in the Village's Governmental Activities long-term liabilities:

	<b>Balance Beginning</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance Ending</b>	<b>Current Maturities</b>
<b>Governmental Activities:</b>					
Installment loan	\$ 4,005	\$ -	\$ 4,005	\$ -	\$ -
Pension related debts	15,124	14,768	-	29,892	-
Total Governmental Activities	<u>\$ 19,129</u>	<u>\$ 14,768</u>	<u>\$ 4,005</u>	<u>\$ 29,892</u>	<u>\$ -</u>

**NOTE IV —SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

***Federal and State Assisted Programs***

The Village has received proceeds from several federal and State grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

**NOTE V —SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

Subsequent events have been evaluated through September 25, 2019, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTAL FINANCIAL DATA**

**Village of Simpson Proportiate Share of Net Pension Liability (Assets)**  
**Required Supplementary Information**  
**Last Six Fiscal Years**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset) (%)	0.00126%	0.00099%	0.00163%	0.00113%	0.00109%	0.00050%
Proportion of the net pension liability (asset) (\$)	\$ 29,892	\$ 15,124	\$ 34,594	\$ 5,071	\$ (6,428)	\$ 6,027
Covered-employee payroll	\$ 58,468	\$ 81,175	\$ 77,546	\$ 63,430	\$ 45,554	\$ 46,181
Proportion of the net pension liability (asset) as a percentage of its covered-employee payroll	51.13%	18.63%	44.61%	9.12%	13.92%	7.48%
Plan fiduciary net position as a percentage of the total pension liability	94.18%	94.18%	91.47%	98.09%	102.64%	94.35%

**Village of Simpson, North Carolina  
Village of Simpson Contributions  
Require Supplementary Information  
Last Six Fiscal Years**

**Local Government Employees' Retirement System**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 2,286	\$ 4,437	\$ 6,603	\$ 5,878	\$ 4,808	\$ 3,453
Contributions in relation to the contractually required contributions	<u>2,286</u>	<u>4,437</u>	<u>6,603</u>	<u>5,878</u>	<u>4,808</u>	<u>3,453</u>
Contributions deficiency (excess)	<u>\$ -</u>					
Covered-employee payroll	\$ 29,498	\$ 58,468	\$ 81,175	77,546	63,430	45,554
Contributions as a percentage of covered-employee payroll	7.75%	7.59%	8.13%	7.58%	7.58%	7.58%

## **INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

**Village of Simpson, North Carolina**  
**General Fund**  
**Schedule of Revenue, Expenditures, and Changes**  
**In Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
<b>Ad Valorem Taxes</b>			
Taxes		102,553	
Total	<u>100,000</u>	<u>102,553</u>	<u>2,553</u>
<b>Other Taxes and Licenses</b>			
<b>Cable tax</b>			
Local option sales tax		102,939	
Utility franchise tax		8,655	
Beer & wine tax		1,905	
Solid waste tax		316	
Total	<u>102,900</u>	<u>113,816</u>	<u>10,916</u>
<b>Restricted Intergovernmental Revenues</b>			
Powell Bill allocation		12,929	
State grants		33,108	
Total	<u>19,100</u>	<u>46,038</u>	<u>26,938</u>
<b>Sales and Services</b>			
Cell tower rent		19,416	
Other		2,700	
Total	<u>22,006</u>	<u>22,116</u>	<u>110</u>

**Village of Simpson, North Carolina**  
**General Fund**  
**Schedule of Revenue, Expenditures, and Changes**  
**In Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Investment Earnings</b>			
Interest		3	
Total	-	3	3
<b>Other Revenues</b>			
Miscellaneous		11,349	
Total	2,900	11,349	8,449
<b>Total Revenue</b>	<b>\$ 246,906</b>	<b>\$ 295,875</b>	<b>\$ 48,969</b>
<b>Expenditures</b>			
<b>General Government</b>			
Salaries and benefits		35,039	
Tax collection fee		1,468	
Professional services		23,290	
Dues & subscriptions		2,048	
Auto		1,125	
Utilities		5,926	
Insurance & bonds		7,184	
Office expense		2,978	
Repairs & maintenance		2,659	
Supplies		1,006	
Other operating expenses		12,798	
<b>Total General Government</b>	<b>96,930</b>	<b>95,523</b>	<b>1,407</b>

**Village of Simpson, North Carolina**  
**General Fund**  
**Schedule of Revenue, Expenditures, and Changes**  
**In Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Public Safety</b>			
Fire Protection		11,000	
Total	<u>21,840</u>	<u>11,000</u>	<u>10,840</u>
<b>Transportation</b>			
Street maintenance		21,102	
Street lights		13,419	
Other operating expenses		2,386	
Total	<u>63,483</u>	<u>36,907</u>	<u>26,576</u>
<b>Environmental Protection</b>			
Salaries and benefits		23,223	
Contract services			
Solid waste disposal		22,521	
Utilities		1,050	
Other operating expenses		4,368	
Total	<u>52,193</u>	<u>51,163</u>	<u>1,030</u>
<b>Cultural and Recreational</b>			
Capital outlay		40,818	
Operating expenses		13,904	
Total	<u>58,300</u>	<u>54,722</u>	<u>3,578</u>

**Village of Simpson, North Carolina**  
**General Fund**  
**Schedule of Revenue, Expenditures, and Changes**  
**In Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Debt Service</b>			
Principal		4,005	
Interest		19	
Total	<u>4,160</u>	<u>4,024</u>	<u>136</u>
Total Expenditures	<u>296,906</u>	<u>253,339</u>	<u>43,567</u>
Revenue over (under) expenditures	<u>(50,000)</u>	<u>42,536</u>	<u>92,536</u>
<b>Other Financing Sources (Uses)</b>			
Appropriations	(50,000)		(50,000)
Sale of capital assets	-	16,000	(16,000)
Total	<u>(50,000)</u>	<u>16,000</u>	<u>42,536</u>
Net change in fund balance	<u>\$ -</u>	<u>58,536</u>	<u>\$ 42,536</u>
Fund balance - July 1		<u>152,360</u>	
Fund balance - June 30		<u>\$ 210,896</u>	

## **OTHER SCHEDULES**

**Village of Simpson, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**For the Fiscal Year Ended June 30, 2019**

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2019	\$ -	\$ 98,373	\$ 95,560	\$ 2,813
2018	5,532		4,193	1,339
2017	1,079		279	800
2016	797		71	726
2015	527		73	454
2014	223		32	191
2013	214		14	200
2012	269		54	215
2011	399		4	395
2010	566		1	565
	<u>9,606</u>	<u>98,373</u>	<u>100,281</u>	<u>7,698</u>

Less: Allowance for Uncollectible Accounts	<u>3,000</u>
Ad Valorem Taxes Receivables, Net	<u>\$ 4,698</u>

**Reconciliation with Revenues:**

Ad Valorem Tax - General Fund	\$ 102,553
Reconciling items:	
Interest collected	(600)
Releases and adjustments	<u>1,672</u>
Total Collections and Credits	<u>\$ 100,281</u>

**Village of Simpson, North Carolina  
General Fund  
Analysis of Current Tax Levy  
For the Fiscal Year Ended June 30, 2019**

	Property Valuation	Rate per \$100	Total Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property tax at current year's tax rate	<u>\$21,860,704</u>	<u>0.45</u>	<u>\$98,373</u>	<u>\$ 85,386</u>	<u>\$ 12,987</u>
Total Net Levy for Current Year	<u>\$21,860,704</u>				
Net levy			98,373	85,386	12,987
Less uncollected taxes at June 30, 2019			<u>2,813</u>	<u>2,813</u>	<u>-</u>
Current year's taxes collected			<u>\$95,560</u>	<u>\$ 82,572</u>	<u>\$ 12,987</u>
Current levy collection percentage			<u>97.14%</u>	<u>96.70%</u>	<u>100.00%</u>

