

**VILLAGE OF SIMPSON  
SIMPSON, NORTH CAROLINA**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED JUNE 30, 2020**

**GREGORY T. REDMAN, CPA**  
TARBORO, NORTH CAROLINA

# Financial Statements

## Village of Simpson Simpson, North Carolina

June 30, 2020

### Mayor

Richard C. Zeck

### Village of Simpson Commissioners

Brenda Hawkins, Mayor Pro Tem  
Dianne Thomas  
Mary Moye

### Village of Simpson Clerk

Elaine Martin

### Village of Simpson Finance Clerk

Susan Ellsworth

**Village of Simpson  
Simpson, North Carolina  
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June 30, 2020**

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## **Financial Section**



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## Independent Auditor's Report

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

### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, and each major fund, of the Village of Simpson, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Village of Simpson'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 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, I 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 financial statement presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Opinions

In my opinion based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Village of Simpson, North Carolina as of June 30, 2020, and the respective changes in financial position thereof, and the respective budgetary comparison for 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 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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*

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Village of Simpson, North Carolina. The combining and 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 combining and 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 to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by me. In my opinion, based on my audit, the procedures performed as described above, 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 information has not been subjected to the auditing procedures applied in the audit of basic financial statements and accordingly, I do not express an opinion or provide assurance on them.

A handwritten signature in black ink that reads "Gregory T. Redman, CPA". The signature is written in a cursive style with a large initial 'G'.

Gregory T. Redman, CPA  
Tarboro, North Carolina  
December 29, 2020

## **Management's Discussion and Analysis**

**Village of Simpson, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020**

As management of the Village of Simpson, North Carolina, 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, 2020. 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.

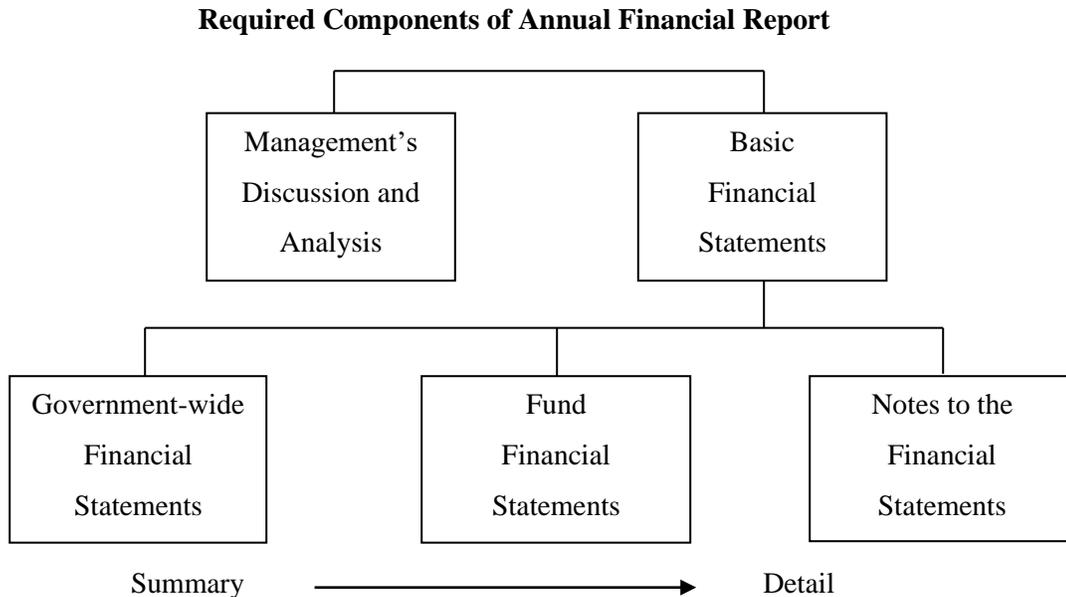
**Financial Highlights**

- 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 \$336,358 (net position).
- The government's total net position increased by \$48,961 primarily due to an increase in both the governmental.
- At the close of the current fiscal year, the Village of Simpson's governmental funds reported an ending fund balance of \$267,869, with a net change of \$56,973 in fund balance. Approximately 90% of this total amount, or \$242,991, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$242,991 or 108% of total general fund expenditures for the fiscal year.
- At the end of the current fiscal year, the Village of Simpson had restricted net position of \$24,878.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the 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. 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.

**Village of Simpson, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020**



**Basic Financial Statements**

The first two statements 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 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 total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Village of Simpson's financial condition.

**Village of Simpson, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020**

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

**Fund Financial Statements**

The fund financial statements 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 government 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 Fund.** *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 in 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 compiled 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**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.

**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.

**Village of Simpson, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020**

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

**Government-wide Financial Analysis**

**The Village of Simpson's Net Position**

	Governmental Activities	
	2020	2019
Current and other assets	\$ 284,050	\$ 217,280
Capital assets	68,682	83,493
Deferred outflows of resources	4,586	20,693
Total Assets and Deferred Outflows of Resources	357,318	321,466
Long-term liabilities outstanding	2,458	1,686
Other liabilities	8,446	29,892
Deferred inflows of resources	10,056	2,491
Total Liabilities and Deferred Inflows of Resources	20,960	34,069
Net Position:		
Net investment in capital assets	68,682	83,493
Restricted	24,878	27,449
Unrestricted	242,798	176,455
Total Net Position	\$ 336,358	\$ 287,397

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 \$336,358 as of June 30, 2020. The Village of Simpson's net position increased by \$48,961 for the fiscal year ended June 30, 2020. However, \$68,682 or 20.4%, reflects the Village of Simpson's net investment in capital assets (e.g. 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 its 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, \$24,878, represents resources that are subject to external restrictions in how they may be used. The remaining balance of the Village of Simpson's net position, \$242,798, is unrestricted.

**Village of Simpson, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020**

**Village of Simpson Changes in Net Position**

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 42,934	\$ 32,017
Operating grants and contributions	13,047	46,037
Capital grants and contributions	-	-
General revenues:		
Property taxes	105,560	100,484
Unrestricted intergovernmental	108,098	113,815
Investment earnings	1,227	3
Other	14,061	4,720
Total Revenues	<u>\$ 284,927</u>	<u>\$ 297,076</u>
Expenses:		
General government	\$ 115,810	\$ 107,560
Public Safety	15,333	14,833
Transportation	25,980	37,813
Environmental protection	72,779	51,162
Culture and recreation	6,064	5,270
Interest on long-term debt	-	19
Total Expenses	<u>\$ 235,966</u>	<u>\$ 216,657</u>
Increase(decrease) in net position before transfers	48,961	80,419
Transfers	-	-
Increase(decrease) in net position	<u>48,961</u>	<u>80,419</u>
Net position, July 1	<u>287,397</u>	<u>206,978</u>
Net position, June 30	<u>\$ 336,358</u>	<u>\$ 287,397</u>

**Governmental Activities.** Governmental activities increased the Village of Simpson's net position by \$48,961.

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

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

**Village of Simpson, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020**

**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, Village of Simpson's fund balance available in the General Fund was \$242,991, while total fund balance was \$267,869. The Village of Simpson currently has an available fund balance of 108% of general fund expenditures, and total fund balance represents 119% of the same amount.

At June 30, 2020, the governmental fund of Village of Simpson reported a fund balance of \$267,869 with a net increase in fund balance of \$56,973.

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 subclassification 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 became necessary to maintain/increase services.

**Capital Asset and Debt Administration**

**Capital Assets:** The Village of Simpson's investments in capital assets for its governmental and business-type activities as of June 30, 2020 total \$68,682 (net of accumulated depreciation).

These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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

	Governmental Activities	
	2020	2019
Land	\$ 14,299	\$ 14,299
Buildings	-	7,600
Machinery and equipment	13,230	15,085
Vehicles	-	4,037
Improvements	41,153	42,473
Total	\$ 68,682	\$ 83,494

Additional information on the Village of Simpson's capital assets can be found in Note III(A)(4) of the Basic Financial Statements.

**Village of Simpson, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020**

**Long-term Debt:** As of June 30, 2020 the Village of Simpson had no installment purchases debt outstanding.

	Governmental Activities	
	2020	2019
Installment loans	\$ -	\$ -
Net pension liability	2,458	29,892
Total	\$ 2,458	\$ 29,892

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. The legal debt margin for the Village of Simpson at June 30, 2020 was \$1,815,520.

**Economic Factors and Next Year's Budgets 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, 2021**

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  
Post Office Box 10  
Simpson, NC 27879

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## **Financial Section**

## **Basic Financial Statements**

**Village of Simpson, North Carolina**  
**Statement of Net Position**  
**June 30, 2020**

	<b>Primary Governmental Activities</b>
Assets	
Current assets:	
Cash and cash equivalents	\$ 251,437
Taxes receivables (net)	6,243
Accounts receivable (net)	18,495
Accrued interest on taxes receivable	1,492
Restricted cash and cash equivalents	6,383
Total Current Assets	\$ 284,050
Non-current Assets:	
Capital assets:	
Land and other non-depreciable assets	\$ 14,299
Other capital assets, net of depreciation	54,383
Total capital assets	\$ 68,682
Total Assets	\$ 352,732
Deferred Outflows of Resources	
Pension deferrals	\$ 4,586
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	8,446
Total Current Liabilities	\$ 8,446
Long-term liabilities:	
Net pension liability	2,458
Total Long-term liabilities	\$ 2,458
Total Liabilities	\$ 10,904
Deferred Inflows of Resources	
Pension deferrals	\$ 10,056
Net Position	
Net investment in capital assets	\$ 68,682
Restricted for:	
Streets	6,383
Stabilization by State Statute	18,495
Unrestricted	242,798
Total Net Position	\$ 336,358

The notes to the financial statements are an integral part of this statement.

**Village of Simpson, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense)</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue</u>
Primary Government					
Governmental Activities:					
General government	\$ 115,810	\$ 42,934	\$ -	\$ -	\$ (72,876)
Public safety	15,333	-	-	-	\$ (15,333)
Transportation	25,980	-	12,717	-	\$ (13,263)
Environmental protection	72,779	-	330	-	\$ (72,449)
Cultural and recreation	6,064	-	-	-	\$ (6,064)
Interest on long-term debt	-	-	-	-	\$ -
Total Governmental Activities	<u>\$ 235,966</u>	<u>\$ 42,934</u>	<u>\$ 13,047</u>	<u>\$ -</u>	<u>\$ (179,985)</u>
General Revenues					
Ad valorem taxes					\$ 105,560
Unrestricted intergovernmental					108,098
Miscellaneous income					14,061
Investment earnings					1,227
Total General Revenues, not including transfers					<u>228,946</u>
Change in Net Position					\$ 48,961
Net Position, previously reported					<u>287,397</u>
Net Position, end of year					<u><u>\$ 336,358</u></u>

The notes to the financial statements are an integral part of this statement.

## **Fund Financial Statements**

**Village of Simpson, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

	<b>Major Funds</b>
	<b>General</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 251,437
Restricted cash	6,383
Receivables, net:	-
Taxes	6,243
Accounts	18,495
Total Assets	\$ 282,558
<b>Liabilities</b>	
Liabilities:	
Accounts payable and accrued liabilities	\$ 8,446
<b>Deferred Inflows of Resources</b>	
Property taxes receivable	\$ 6,243
Total Liabilities and Deferred Inflows of Resources	\$ 14,689
<b>Fund Balances</b>	
Restricted:	
Stabilization by State Statute	\$ 18,495
Streets	6,383
Assigned	
Subsequent year's expenditures	-
Unassigned	
Total fund balance	242,991
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 282,558

The notes to the financial statements are an integral part of this statement.

**Village of Simpson, North Carolina**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**Governmental Funds**  
**June 30, 2020**

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

Ending Fund Balance - Governmental Funds	\$	267,869
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		68,682
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are not reported in the funds.		1,492
Net pension 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.		(2,458)
Deferred outflows of resources related to pension are not report in the funds		4,586
Deferred inflows of resources related to pension are not report in the funds		(10,056)
Earned revenues considered deferred infows of resources in fund statements		6,243
Net Position of Governmental Activities	\$	336,358

The notes to the financial statements are an integral part of this statement.

**Village of Simpson, North Carolina**  
**Statement of Revenues, Expenditures And Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2020**

	<b>Major Funds</b>
	<b>General</b>
Revenues	
Ad valorem taxes	\$ 102,523
Unrestricted intergovernmental	108,098
Restricted intergovernmental	13,047
Sales and services	42,934
Investment earnings	1,227
Miscellaneous income	14,061
Total Revenues	\$ 281,890
Expenditures	
Current:	
General government	111,495
Public safety	11,500
Transportation	25,074
Environmental protection	72,779
Cultural and recreation	4,069
Total Expenditures	\$ 224,917
Excess of Revenues Over (Under) Expenditures	\$ 56,973
Other Financing Sources (Uses)	
Sales of capital assets	-
Net Change in Fund Balance	\$ 56,973
Fund Balances	
Beginning of year	210,896
End of year	\$ 267,869

The notes to the financial statements are an integral part of this statement.

**Village of Simpson, North Carolina**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statement Activities**  
**For the Year Ended June 30, 2020**

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

Net Change in Fund Balance - Total Governmental Funds \$ 56,973

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 outlay exceeded depreciation in the current period

Capital outlay expenditures which were capitalized	\$ -	
Depreciation expense for governmental assets	<u>(14,811)</u>	(14,811)

Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities		2,864
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Change in unavailable revenue for tax revenues		3,037

Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Pension expense		<u>898</u>

Total Changes in Net Position of Governmental Activities		<u><u>\$ 48,961</u></u>
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The notes to the financial statements are an integral part of this statement.

**Village of Simpson, North Carolina**  
**Statement of Revenues, Expenditures, And**  
**Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2020**

	<b>General Fund</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
Revenues				
Ad valorem taxes	\$ 104,232	\$ 104,232	\$ 102,523	\$ (1,709)
Unrestricted intergovernmental	91,450	91,450	108,098	16,648
Restricted intergovernmental	10,955	10,955	13,047	2,092
Sales and services	40,816	40,816	42,934	2,118
Investment earnings	550	550	1,227	677
Miscellaneous Income	500	500	14,061	13,561
<b>Total Revenues</b>	<b>\$ 248,503</b>	<b>\$ 248,503</b>	<b>\$ 281,890</b>	<b>\$ 33,387</b>
Expenditures				
Current				
General government	\$ 111,624	\$ 111,624	\$ 111,495	\$ 129
Public safety	12,000	12,000	11,500	500
Transportation	32,225	32,225	25,074	7,151
Environmental protection	83,154	83,154	72,779	10,375
Cultural and recreation	9,500	9,500	4,069	5,431
Principal				
<b>Total Expenditures</b>	<b>\$ 248,503</b>	<b>\$ 248,503</b>	<b>\$ 224,917</b>	<b>\$ 23,586</b>
Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 56,973	\$ 56,973
Other Financing Sources (Uses)				
Appropriations	\$ -	\$ -	\$ -	\$ -
Gain from sale of assets	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Revenues and other sources over (under) expenditures and other uses	-	-	56,973	56,973
Fund Balances				
Beginning of year			210,896	
End of year			<b>\$ 267,869</b>	

The notes to the financial statements are an integral part of this statement.

**Village of Simpson of Simpson, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**I. Summary of Significant Accounting Policies**

The accounting policies of 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 Village of Simpson, North Carolina.

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. Governmental fund financial statements are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The Village of Simpson reports the following major governmental funds:

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

C. Measurement Focus and Basis of Accounting

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

**Village of Simpson of Simpson, North Carolina**  
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*Government-wide Financial Statements.* The government-wide financial statements are reported using the economic resources measurement focus. The government-wide 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 of Simpson 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.

Sales taxes and certain intergovernmental revenues, such as beer and wine tax, collected and held by the State at year-end on behalf of the Village of Simpson are recognized as revenue. Sales taxes are considered a shared revenue for the Village of Simpson because the tax is levied by Greene County and then remitted to and distributed by the State. Most 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 of Simpson funds certain programs by a combination of specific cost-reimbursement

**Village of Simpson of Simpson, North Carolina**  
**Notes to the Financial Statements**  
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grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is 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 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 object level for the multi-year funds. 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 of Simpson are made in board-designated official depositories and are secured as required by State law [G.S. 15-31]. The Village of Simpson may designate, as an official depository, and 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 SuperNOW 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.

**2. Cash and Cash Equivalents**

The Village of Simpson pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and equivalents.

**Village of Simpson of Simpson, North Carolina**  
**Notes to the Financial Statements**  
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3. Restricted Assets

Customer deposits held by the Village of Simpson before any services are supplied, are restricted to the service for which the deposit was collected. Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, reporting, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Village of Simpson Restricted Cash

Governmental Activities

General Fund

Streets

\$ 6,383

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 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2019. 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 and 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 an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$500; Buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; furniture, computer software, and equipment, \$500; and vehicles, \$2,500. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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 of Simpson, North Carolina**  
**Notes to the Financial Statements**  
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Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

7. 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 meet this criterion, pension deferrals in the 2020 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 several items that meet the criterion for this category – property taxes receivables, and pension deferrals.

8. 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.

9. 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.

**Village of Simpson of Simpson, North Carolina**  
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The Village of Simpson has assumed a first in, first out method of using accumulated time. The portion of that time 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.

10. 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* – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds.

The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by the law through constitutional provisions or enabling legislation". RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

**Village of Simpson of Simpson, North Carolina**  
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*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.

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

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s 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.

The Village of Simpson has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-Village of Simpson funds, Village of Simpson funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Village of Simpson.

11. 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.

**Village of Simpson of Simpson, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**II. Stewardship, Compliance, and Accountability**

A. Material Violations of Finance-related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

Pre-audit Process

For the year ended June 30, 2020, the following item was a violation of N.C. General Statutes:

- The Town's checks do not contain the pre-audit language required by G.S. 159-28(d)(1).

Management's Response/Corrective Action:

- We agree that the above violations of state statutes occurred. We plan to correct this violation before June 30, 2021.

**III. Detail Notes on All Funds**

A. Assets

1. Deposits

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, and 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

**Village of Simpson of Simpson, North Carolina**  
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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 designing official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Village of Simpson's deposits had a carrying amount of \$257,820 and a bank balance of \$271,249. Of the bank balance, all of it was covered by federal depository insurance.

2. Investments

At June 30, 2020, the Village of Simpson held no investments.

3. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2020, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 14,299	\$ -	\$ -	\$ 14,299
Total capital assets not being depreciated	<u>\$ 14,299</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,299</u>
Capital assets being depreciated:				
Buildings	\$ 173,898	\$ -	\$ -	\$ 173,898
Equipment	156,944	-	-	156,944
Vehicles	31,317	-	-	31,317
Other improvements	46,818	-	-	46,818
Total capital assets being depreciated	<u>\$ 408,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 408,977</u>
Less accumulated depreciation for:				
Buildings	\$ 166,298	\$ 7,600	\$ -	\$ 173,898
Equipment	141,860	1,854	-	143,714
Vehicles	27,280	4,037	-	31,317
Other improvements	4,345	1,320	-	5,665
Total accumulated depreciation	<u>\$ 339,783</u>	<u>\$ 14,811</u>	<u>\$ -</u>	<u>\$ 354,594</u>
Total capital assets being depreciated, net	<u>\$ 69,194</u>			<u>\$ 54,383</u>
Governmental activity capital assets, net	<u>\$ 83,493</u>			<u>\$ 68,682</u>

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

General government	\$ 8,077
Cultural and recreation	1,995
Transportation	906
Public Safety	3,833
Total Depreciation Expense	<u>\$ 14,811</u>

**Village of Simpson of Simpson, North Carolina**  
**Notes to the Financial Statements**  
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B. Liabilities

1. Pension Plan Obligations

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 consist 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. 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 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

**Village of Simpson of Simpson, North Carolina**  
**Notes to the Financial Statements**  
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day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service of a LEO and have reached 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 member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The 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 contractually required contribution rate for the year ended June 30, 2020, was 8.95% of compensation for general employees, 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 \$2,864 for the year ended June 30, 2020.

*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, 2020, the Village of Simpson reported a liability of \$2,458 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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 of Simpson'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, 2019, the Village of Simpson's proportion was 0.00009%, which was a decrease of 0.00117% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Village of Simpson recognized pension expense of \$889. At June 30, 2020, the Village of Simpson reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 421	\$ -
Changes of assumptions	401	-
Net difference between projected and actual earnings on pension plan investments	60	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	840	10,056
Town contributions subsequent to the measurement date	2,864	-
Total	\$ 4,586	\$ 10,056

\$2,864 reported as deferred outflows of resources related to pensions resulting from Village of Simpson contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30		
2020	\$	(1,887)
2021		(2,636)
2022		(1,756)
2023		(2,055)
2024		-
Thereafter		-
	\$	(8,334)

*Actuarial Assumptions.* The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

**Village of Simpson of Simpson, North Carolina**  
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The actuarial assumptions used in the December 31, 2018 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 return 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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 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 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. 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.

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**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

*Sensitivity of the Village of Simpson'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 percent, 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 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 5,622	\$ 2,458	\$ (172)

*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

Deferred outflows of resources at year-end are comprised of the following elements:

Contributions to pension plan in current fiscal year	\$ 2,864
Differences between expected and actual experience	421
Changes of assumptions	401
Net difference between projected and actual earnings	60
Changes in proportion and differences between employer contributions and proportionate share of contributions	840
Total	\$ 4,586

Deferred inflows of resources at year-end are comprised of the following elements:

	Statement of Net Position	General Fund Balance Sheet
Taxes receivables, less penalties (General Fund)	\$ -	\$ 6,243
Prepaid taxes	-	-
Differences between expected and actual experience	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,056	-
	\$ 10,056	\$ 6,243

**Village of Simpson of Simpson, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

3. 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 insured values of the property policy, and workers' compensation coverage up to statutory limits and employee health coverage.

The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Village of Simpson upon request.

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 carries commercial coverage for all other risks of loss. 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 of Simpson's funds are performance bonded through a commercial surety bond. The Village of Simpson has crime coverage for employee dishonesty and forgery alteration, as well as coverage for theft of money or securities inside or outside of the premises. The finance officer is bonded for \$50,000.

4. Long-term Debt

Changes in Long-Term Liabilities

The following table summarizes the annual requirements to amortize all long-term debt outstanding:

**Village of Simpson of Simpson, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental Activities:					
Installment loan	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability	29,892	-	27,434	2,458	-
	<u>\$ 29,892</u>	<u>\$ -</u>	<u>\$ 27,434</u>	<u>\$ 2,458</u>	<u>\$ -</u>

At June 30, 2020, the Village of Simpson had a legal debt margin of \$1,815,520.

5. Claims, Judgements, and Contingent Liabilities

No claims or judgements existed at June 30, 2020.

6. Fund Balance

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

Total fund balance - General Fund	\$ 267,869
Less:	
Stabilization by State Statute	18,495
Streets-Powell Bill	6,383
Working Capital/Fund Balance Policy	-
Remaining Fund Balance	242,991

**IV. Summary Disclosure of Significant Contingencies**

A. Federal and State Assisted Programs

The Village of Simpson 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 moneys 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 moneys.

**VI. Subsequent Events**

As of December 29, 2020, the date of the completion of the financial statements, there were no material subsequent events that were required to be reported.

## Required Supplementary Financial Data

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This section contains additional information required by generally accepted accounting principles.

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- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contribution to Local Government Employees' Retirement System

**Village of Simpson, North Carolina**  
**Village of Simpson's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Seven Fiscal Years**

**Local Government Employees' Retirement System**

	2020	2019	2018	2017	2016	2015	2014
Village of Simpson's proportion of the net pension liability (asset) (%)	0.00009%	0.00126%	0.00099%	0.00163%	0.00113%	0.00109%	0.00050%
Village of Simpson's proportion of the net pension liability (asset) (\$)	\$ 2,458	\$ 29,892	\$ 15,124	\$ 34,594	\$ 5,071	\$ (6,428)	\$ 6,027
Village of Simpson's covered-employee payroll	\$ 29,498	\$ 58,468	\$ 81,175	\$ 77,546	\$ 63,430	\$ 45,554	\$ 46,181
Village of Simpson's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.33%	51.13%	18.63%	44.61%	7.99%	-14.11%	13.05%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

**Village of Simpson, North Carolina  
Village of Simpson's Contributions  
Required Supplementary Information  
Last Seven Fiscal Years**

**Local Government Employees' Retirement System**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,864	\$ 2,286	\$ 4,437	\$ 6,603	\$ 5,878	\$ 4,808	\$ 3,453
Contributions in relation to the contractually required contributions	<u>2,864</u>	<u>2,286</u>	<u>4,437</u>	<u>6,603</u>	<u>5,878</u>	<u>4,808</u>	<u>3,453</u>
Contribution deficiency (excess)	<u>\$ -</u>						
Village of Simpson's covered-employee payroll	\$ 31,999	\$ 29,498	\$ 58,468	\$ 81,175	\$ 77,546	\$ 63,430	\$ 45,554
Contributions as a percentage of covered-employee payroll	8.95%	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 Revenues, Expenditures, And**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Ad valorem taxes:			
Taxes		\$ 102,115	
Interest		408	
Total	<u>\$ 104,232</u>	<u>\$ 102,523</u>	<u>\$ (1,709)</u>
Other taxes and licenses:			
Vehicle tags		\$ -	
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Unrestricted intergovernmental:			
Local option sales tax		\$ 99,281	
Franchise tax		6,942	
Beer and wine tax		1,875	
Total	<u>\$ 91,450</u>	<u>\$ 108,098</u>	<u>\$ 16,648</u>
Restricted intergovernmental:			
Powell Bill allocation		\$ 12,717	
Solid waste disposal tax		330	
Total	<u>\$ 10,955</u>	<u>\$ 13,047</u>	<u>\$ 2,092</u>
Sales and services:			
Cell tower rent		\$ 21,181	
Fees		21,753	
Total	<u>\$ 40,816</u>	<u>\$ 42,934</u>	<u>\$ 2,118</u>
Investment earnings:			
Interest		\$ 1,227	
Total	<u>\$ 550</u>	<u>\$ 1,227</u>	<u>\$ 677</u>
Miscellaneous:			
Miscellaneous revenue		\$ 14,061	
Total	<u>\$ 500</u>	<u>\$ 14,061</u>	<u>\$ 13,561</u>
<b>Total Revenues</b>	<u>\$ 248,503</u>	<u>\$ 281,890</u>	<u>\$ 33,387</u>

**Village of Simpson, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, And**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures</b>			
General Government:			
Salaries and benefits		\$ 33,611	
Tax collection fee		1,483	
Professional services		32,432	
Other operating expenses		43,969	
Total General Government	<u>\$ 111,624</u>	<u>\$ 111,495</u>	<u>\$ 129</u>
Public Safety:			
Fire protection		\$ 11,500	
Total Public Safety	<u>\$ 12,000</u>	<u>\$ 11,500</u>	<u>\$ 500</u>
Transportation:			
Street maintenance		\$ 10,978	
Street lights		13,419	
Other operating expenses		677	
Total Transportation	<u>\$ 32,225</u>	<u>\$ 25,074</u>	<u>\$ 7,151</u>
Environmental Protection:			
Salaries and benefits		\$ 10,180	
Contract services		-	
Solid waste disposal		23,828	
Utilities		1,001	
Other operating expenses		37,770	
Total Environmental Protection	<u>\$ 83,154</u>	<u>\$ 72,779</u>	<u>\$ 10,375</u>
Culture and Recreation:			
Capital outlay		\$ -	
Other operating expenditures		4,069	
Total Culture and Recreation	<u>\$ 9,500</u>	<u>\$ 4,069</u>	<u>\$ 5,431</u>
Total Expenditures	<u>\$ 248,503</u>	<u>\$ 224,917</u>	<u>\$ 23,586</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 56,973</u>	<u>\$ 56,973</u>
Other Financing Sources (uses):			
Fund balance appropriation	\$ -	\$ -	\$ -
Sale of capital assets	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Revenues and other financing sources over	<u>\$ -</u>	<u>\$ 56,973</u>	<u>\$ 56,973</u>
Fund Balances			
Beginning of year		<u>210,896</u>	
End of year		<u>\$ 267,869</u>	

## **Other Schedules**

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This section contains additional information on property taxes.

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- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

**Village of Simpson, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**For the Year Ended June 30, 2020**

<b>Fiscal Year</b>	<b>Uncollected Balance June 30, 2019</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2020</b>
2019-2020	\$ -	\$ 102,123	\$ 100,177	\$ 1,946
2018-2019	2,813	-	1,821	992
2017-2018	1,339	-	685	654
2016-2017	800	-	140	660
2015-2016	726	-	158	568
2014-2015	454	-	-	454
2013-2014	191	-	-	191
2012-2013	200	-	-	200
2011-2012	215	-	31	184
2010-2011	395	-	1	394
2009-2010	565	-	565	-
<b>Total</b>	<b>\$ 7,698</b>	<b>\$ 102,123</b>	<b>\$ 103,578</b>	<b>\$ 6,243</b>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 102,523
Interest collected	(408)
Taxes written off	565
Releases and adjustments	898
	<hr/>
Total collections and credits	<b>\$ 103,578</b>

**Village of Simpson, North Carolina**  
**Analysis of Current Tax Levy**  
**Town - Wide Levy**  
**For the Fiscal Year Ended June 30, 2020**

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 22,694,000	0.45	\$ 102,123	\$ 87,291	\$ 14,832
Net levy			\$ 102,123	\$ 87,291	\$ 14,832
Uncollected taxes at June 30, 2020			1,946	1,946	-
Current year's taxes collected			\$ 100,177	\$ 85,345	\$ 14,832
Current levy collection percentage			98.09%	97.77%	100.00%