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VILLAGE OF SIMPSON, LOUISIANA

ANNUAL FINANCIAL REPORT

For the year ended
June 30, 2003

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

Release Date 11·26·03

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ELLIOTT & ASSOCIATES, INC.

A Professional Accounting Corporation

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W. Micheal Elliott, CPA

UNQUALIFIED OPINION ON GENERAL-PURPOSE FINANCIAL STATEMENTS-GOVERNMENTAL ENTITY

INDEPENDENT AUDITOR'S REPORT

The Honorable Donnis Brinkley, Mayor
and the Members of the Board of Aldermen
Simpson, Louisiana

I have audited the accompanying general-purpose financial statements of the Village of Simpson, as of and for the year ended June 30,2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Village of Simpson's management. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

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

In my opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Simpson as of and for the year ended June 30,2003, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 27, 2002, on my consideration of the Village of Simpson's internal control over financial reporting and my tests of its compliance with laws, regulations, contracts and grants.

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

Elliott + Assc. "APAC"
Leesville, Louisiana
September 27, 2003

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

The Honorable Donnis Brinkley, Mayor
and the Members of the Board of Aldermen
Simpson, Louisiana

I have audited the financial statements of the Village of Simpson as of and for the year ended June 30,2003, and have issued my report thereon dated September 27, 2003. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Village of Simpson's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provided assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information of the Board of Alderman and management of the Village of Simpson, and the Legislative Auditor's Office of the State of Louisiana. This report is not to be, and should not be, used by anyone other than these specified parties.

Elliott & Assc. "APAC"

Leesville, Louisiana
September 27, 2003

Village of Simpson
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year ended June 30, 2003

I have audited the financial statements of the Village of Simpson as of and for the year ended June 30, 2003, and have issued my report thereon dated September 27, 2003. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of June 30, 2003 resulted in a unqualified opinion.

Section I Summary of Auditor's Reports

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

Internal Control

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

Compliance

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

b. Federal Awards

Internal Control

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

Type of Opinion On Compliance For Major Programs

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

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

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

c. Identification of Major Programs

CFDA Number(s)	Name of Federal Program
None	None

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

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

Section II Financial Statement Findings

N/A

Section III Federal Award Findings and Questioned Costs

N/A

See independent auditor's report.

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

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP
June 30, 2003

ASSETS	Governmental Fund Type General	Special Revenue Fund Type LCDBG
Cash and cash equivalents (Note 2)	$38,739	$ 43
Receivables, (net where applicable of allowances for uncollectibles) - (Note 3)		
Franchise taxes	1,415	---
Accounts	---	
Due from Simpson Volunteer Fire Department	---	---
Due from other fund	---	---
Restricted assets (Notes 2 and 4)		
Cash and cash equivalents	---	---
Land (Note 5)	---	---
Furniture, equipment & vehicles (Note 5)	---	---
Utility plant and equipment (Note 5)	---	---
Accumulated depreciation (Note 5)	---	---
Total assets	$40,154	$ 43
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	$ 814	$ ---
Payroll taxes payable	---	---
Sales taxes payable	---	---
Due to other fund	---	---
Customer deposits	---	---
Salaries payable	---	---
Payable from restricted assets -		
Revenue bonds payable - current (Note 7)	---	---
Interest payable	---	---
Revenue bonds payable (Note 7)	---	---
Total liabilities	814	---
Fund equity:		
Contributed capital	---	---
Amortization of contributed capital	---	---
Investment in general fixed assets	---	---
Retained earnings		
Reserve for revenue bond retirement	---	---
Unreserved	---	---
Fund balances -		
Unreserved - undesignated	39,340	43
Total fund equity	39,340	43
Total liabilities and fund equity	$40,154	$ 43

The accompanying notes are an integral part of this statement.

Proprietary Fund Type Enterprise	Account Group General Fixed Assets	Totals (Memorandum Only)
$ 40,346	$ ---	$ 79,128
---	---	1,415
853	---	853
---	---	---
---	---	---
63,433	---	63,433
---	4,000	4,000
---	122,602	122,602
718,144	---	718,144
(291,461)	---	(291,461)
$531,315	$ 126,602	$698,114
$ 972	$ ---	$ 1,786
227	---	227
283	---	283
---	---	---
6,269	---	6,269
1,612	---	1,612
5,000	---	5,000
1,425	---	1,425
52,000	---	52,000
67,788	---	68,602
472,432	---	472,432
(152,397)	---	(152,397)
---	126,602	126,602
5,008	---	5,008
138,484	---	138,484
---	---	39,383
463,527	126,602	629,512
$531,315	$ 126,602	$698,114

Exhibit B

VILLAGE OF SIMPSON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
Year ended June 30, 2003

	General Fund	Special Revenue Fund LCDBG	Totals (Memorandum Only)
Revenues:			
Taxes	$ 14,808	$ ---	$ 14,808
Licenses and permits	12,713	---	12,713
Intergovernmental	5,000	10,000	15,000
Fines and forfeits	---	---	---
Miscellaneous	8,223	---	8,223
Total revenues	40,744	10,000	50,744
Expenditures:			
Current -			
General government	22,469	---	22,469
Public safety -			
Police	3,766	---	3,766
Capital outlay (Note 6)	10,750		10,750
Special programs	---	10,000	10,000
Total expenditures	36,985	10,000	46,985
Excess (deficiency) of revenues over expenditures before transfers	3,759	---	3,759
Transfers in - Water Fund	4,000		4,000
Transfers out - Water Fund	(2,850)	---	(2,850)
Total transfers in (out)	1,150	---	1,150
Excess (deficiency) of revenues and other sources over expenditures and other uses	4,909	---	4,909
Fund balance, beginning	34,431	43	34,474
Fund balance, ending	$ 39,340	$ 43	$39,383

The accompanying notes are an integral part of this statement.

VILLAGE OF SIMPSON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year ended June 30, 2003

	Governmental Fund Type		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	$ 13,500	$ 14,808	$1,308
Licenses and permits	12,000	12,713	713
Intergovernmental	5,000	5,000	---
Fines and forfeits	---	---	---
Miscellaneous	---	8,223	8,223
Total revenues	30,500	40,744	10,244
Expenditures:			
Current -			
General government	20,760	22,469	(1,709)
Public safety -			
Police	9,715	3,766	5,949
Capital outlay	5,800	10,750	(4,950)
Special programs	---	---	---
Total expenditures	36,275	36,985	(710)
Excess (deficiency) of revenues over expenditures	(5,775)	3,759	9,534
Transfers in - Water Fund	4,000	4,000	---
Transfer out - Water Fund	---	(2,850)	(2,850)
Total transfers in (out)	4,000	1,150	(2,850)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,775)	4,909	6,684
Fund balance, beginning	34,431	34,431	---
Fund balance, ending	$32,656	$39,340	$6,684

The accompanying notes are an integral part of this statement.

Exhibit C

Special Revenue Fund - LCDBG		
Budget	Actual	Variance Favorable (Unfavorable)
$ ---	$ ---	$ ---
---	---	---
10,000	10,000	---
---	---	---
---	---	---
10,000	10,000	---
---	---	---
---	---	---
10,000	10,000	---
10,000	10,000	---
---	---	---
---	---	---
---	---	---
---	---	---
---	---	---
---	---	---
43	43	---
$ 43	$ 43	$ ---

Exhibit D

VILLAGE OF SIMPSON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS - PROPRIETARY FUND TYPE
Year ended June 30, 2003

Operating revenue:	
Charges for services -	
Water sales	$ 64,451
Total operating revenue	64,451
Operating expenses:	
Salaries and wages	17,259
Payroll taxes	6,614
Travel	852
Office expense	1,113
Insurance	3,305
Repairs and maintenance	2,143
Professional services	1,990
Miscellaneous	4,085
Depreciation	24,107
Sales tax expense	1,780
Water treatment	533
Utilities	7,478
Total operating expenses	71,259
Operating income (loss)	(6,808)
Nonoperating revenue (expenses)	
Miscellaneous income	810
Interest income	1,344
Interest expense	(3,442)
Total nonoperating revenue (expenses)	(1,288)
Transfers In - General Fund	2,850
Transfers Out - General Fund	(4,000)
Net (loss)	(9,246)
Add: amortization of contributed capital	15,240
Increase in retained earnings	5,994
Retained earnings, beginning	137,498
Retained earnings, ending	$143,492

The accompanying notes are an integral part of this statement.

Exhibit E

VILLAGE OF SIMPSON
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
Year ended June 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating income (loss)	$ (6,808)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	24,107
Changes in assets and liabilities:	
Accounts receivable	399
Accounts payable	345
Due to other funds	(1,276)
Retirement deduction payable	540
Customer deposits	215
Net cash provided by operating activities	17,522
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers, net	(1,150)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Acquisition of property, plant and equipment	(3,500)
Payments on long-term debt	(18,419)
Interest paid on long-term debt	(3,735)
Miscellaneous income	810
Net cash used by capital financing activities	(24,844)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	1,344
Net cash provided by investing activities	1,344
Decrease IN CASH	(7,128)
CASH, BEGINNING OF YEAR	110,907
CASH, END OF YEAR	$103,779
CLASSIFIED AS:	
Current Assets	$ 40,346
Restricted Assets	63,433
Totals	$103,779

The accompanying notes are an integral part of this statement.

VILLAGE OF SIMPSON

NOTES TO FINANCIAL STATEMENTS
June 30,2003

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The following is a summary of certain significant accounting policies.

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

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

Governmental Funds -

General Fund

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

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Revenue Fund

The Village entered into a 1998 Louisiana Community Development Block Grant program on September 11, 1998 for a total contract of $284,800. The funding purpose was to fund housing rehabilitation for selected and eligible moderate and low income families and is being accounted for as a special revenue fund. Only administrative costs have been incurred in the last two fiscal years.

Proprietary Fund -

Enterprise funds

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

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

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

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

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Budgets and budgetary accounting. The Village follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Village Clerk prepares a proposed budget and submits the same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.

2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.

3. A public hearing is held on the proposed budget at least ten days after the publication of the call for the hearing.

4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.

5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.

6. All budgetary appropriations lapse at the end of each fiscal year.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen. Such amendments were not material in relation to the original appropriations.

Investments. Investments are stated at cost.

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

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

NOTE 2--CASH AND INVESTMENT COLLATERAL

Under state law, the Village may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. At June 30,2003, the Village has cash and cash equivalents (book balances) totaling $142,610 as follows:

Interest-bearing demand deposits	$ 76,142
Time deposits	66,468
Total	$142,610

NOTE 2--CASH AND INVESTMENT COLLATERAL (CONTINUED)

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

At June 30,2003, the carrying amount of the Village's deposits (demand deposits and time deposits) were $142,561, and the bank balances were $142,610. A summary of collateralization of bank balances is presented below.

Bank balances	$142,610
Federal deposit insurance	$136,354
Uncollateralized in accordance with GAAP(see below)	6,256
Total	$142,610

The uncollateralized amount shown above is secured by pledged securities with a market value of $46,027 held in the name of the pledging fiscal agent banks in holding or custodial banks. Even though the pledged securities are considered uncollateralized under GAAP, Louisiana Revised Statutes impose a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3--RECEIVABLES

Receivables at June 30, 2003 consist of the following:

	General	Enterprise	Totals
Receivables:			
Intergovernmental	$ ---	$ ---	$ ---
Franchise taxes	1,415	---	1,415
Accounts	---	853	853
	1,415	853	2,268
Allowance for doubtful accounts	---	---	---
Net total receivables	$ 1,415	$ 853	$ 2,268

NOTE 4--RESTRICTED ASSETS - PROPRIETARY FUND TYPE

Restricted assets were applicable to the following at June 30, 2003:

Bond and interest account	$ 39,974
Bond reserve account	9,879
Bond contingency account	8,270
Water extension account	5,310
Total restricted assets	$ 63,433

NOTE 5--PROPERTY, PLANT, AND EQUIPMENT/ GENERAL FIXED ASSET

A summary of proprietary fund type plant and equipment at June 30, 2003 follows:

Water Utility	
Plant and equipment	$612,432
Well and equipment	87,453
Office equipment	6,484
Autos and trucks	3,500
Extensions	8,275
Total	718,144
Less accumulated depreciation	(291,461)
Net	$426,683

NOTE 5--PROPERTY, PLANT, AND EQUIPMENT/
GENERAL FIXED ASSET (CONTINUED)

A summary of changes in general fixed assets for the year ended June 30, 2003 follows:

	Balance 6/30/02	Additions	Deletions	Balance 6/30/03
Land	$ 4,000	$ ---	$ ---	$ 4,000
Buildings	16,366	---	---	16,366
Equipment	84,354		---	84,354
Vehicles	4,000	---	---	4,000
Improvements other than buildings	7,132	10,750	---	17,882
Total	$115,852	$ 10,750	$ ---	$126,602

NOTE 6--ACCUMULATED UNPAID VACATION AND SICK LEAVE

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

NOTE 7--CHANGES IN LONG-TERM DEBT

The following is a summary of bond transactions of the Village of Simpson for the year ended June 30, 2003:

	Revenue Bonds		
	5/26/71 Issue	3/25/77 Issue	Totals
Bonds payable, 6/30/02	$ 62,000	$ 13,419	$ 75,419
Bonds retired	(5,000)	(13,419)	(18,419)
Bonds payable, 6/30/03	$ 57,000	$ ---	$ 57,000

NOTE 7--CHANGES IN LONG-TERM DEBT (CONTINUED)

Bonds payable at June 30, 2003 are comprised of the following individual issues:

Revenue Bonds:	
$140,000 of Waterworks Revenue Bonds dated May 26, 1971; due in annual installments of $2,000 - $9,000 through 2015; interest at 5%	$ 57,000
$40,000 of Waterworks Revenue Bonds dated March 25, 1977; due in annual installments of $2,351 through 2017; interest at 5%	---
	$57,000

The annual requirements to amortize all revenue bonds outstanding as of June 30, 2003, including interest payments of $17,710 are as follows:

Year Ending	Revenue Bonds $140,000
2004	$ 7,850
2005	7,600
2006	7,350
2007	7,100
2008	6,850
2009-2013	30,500
2014-2016	7,460
	$ 74,710

NOTE 8--FLOW OF FUNDS: RESTRICTION ON USE - UTILITIES REVENUE

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

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

(a) To a "Utility Revenue Bond Sinking Fund" a sum equal to 1/12 of the interest and principal falling due on the next principal payment date.

(b) To a "Water Utility Revenue Bond Reserve Fund" a sum equal to 5% of the monthly Sinking Fund deposit shown in (a) above, such deposit to continue until an amount equal to the highest annual remaining debt service has been reached. These funds are to be retained solely for the purpose of paying principal and interest if funds are not available in (a) above.

(c) To a "Depreciation and Contingencies Fund" to care for extensions, additions, improvements, and renewals, the sum of $50 per month.

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

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

NOTE 8--FLOW OF FUNDS: RESTRICTION ON USE - UTILITIES REVENUE (CONTINUED)

On March 25, 1977, the Village issued additional revenue bonds in the amount of $40,000 payable in annual installments of $2,351 due 1978 to 2017. These water utility revenue bonds of the Village of Simpson were issued on a parity with the outstanding water utility bonds of 1971 and the resolution setting forth such new bonds provided for the same flow of funds and restrictions as provided in the 1971 resolution except as follows:

(1) Section 8 increased the monthly deposit in the Depreciation and Contingencies Fund to $50 per month instead of $40 per month as previously required.

(2) Section 11 provided that out of the proceeds of the bonds sold, there shall be deposited to the Reserve Fund the sum of $3,000.

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

NOTE 9--RETIREMENT COMMITMENTS

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

NOTE 10--RISK MANAGEMENT

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

	LIMITS OF COVERAGE
Workmen's compensation (employer's liability)	$ 100,000/500,000/100,000
Auto liability	500,000
Commercial general liability	500,000
Village-owned buildings and equipment	419,443

NOTE 11--RISK MANAGEMENT (CONTINUED)

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

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

FINANCIAL STATEMENTS
OF INDIVIDUAL FUNDS
AND ACCOUNT GROUP

SPECIAL REVENUE FUND

Special revenue fund is used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

Community development
block grant fund -

The grant received is being used exclusively for rehabilitation of selected and qualified residences in the Village of Simpson.

Exhibit F-1

VILLAGE OF SIMPSON

SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
CDBG Grant-#107-900350
Year Ended June 30, 2003

Revenues:	
State grants	$ 10,000
Total revenues	10,000
Expenditures:	
General government	---
Special programs:	
Rehabilitation loans and grants (housing)	10,000
Administration-housing	---
Total expenditures - special programs	10,000
Excess (deficiency) of revenues over expenditures	---
Other financing sources (uses):	
Transfer in	---
Excess (deficiency) of revenues and other sources over expenditures and other uses	---
Fund balance, beginning	43
Fund balance, ending	$ 43

See independent auditor's report.

Exhibit F-2

VILLAGE OF SIMPSON
COMMUNITY DEVELOPMENT BLOCK GRANT-PROGRAM #107-900350
SCHEDULE OF PROGRAM COSTS

For the fiscal year ended June 30, 2003

	Authorized Costs	Expenditures	Prior Year Expenditures	Remaining to be Expended
Administration-Rehab	$ 32,800	$ ---	$ 16,698	$ 16,102
Clearance and demolition	7,000	---	---	7,000
Rehabilitation loans and grants (housing)	195,000	10,000	90,478	94,522
Totals	$234,800	$ 10,000	$107,176	$117,624

See independent auditor's report.

SUPPLEMENTARY INFORMATION

Schedule 1

VILLAGE OF SIMPSON

COMPENSATION OF BOARD MEMBERS

For the year ended June 30, 2003

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

	Number Attended	Amount
Donnis Brinkley, Mayor	12	$1,200
Roger Bennett, Alderman	12	600
W. D. Reeder, Alderman	12	600
Gene Stephens, Alderman	12	600
Totals		$3,000

See independent auditor's report.

Village of Simpson

SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2003

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

Compliance

2002.1 Finding: At June 30,2002, the Village of Simpson had $143,089 in bank balances at two financial institutions. However, one financial institution with over $100,000 in invested funds did not pledge securities on the excess $1,170 in bank deposits. After consideration of the $100,000 in FDIC insurance coverage, the Village still had $1,170 in uncollateralized deposits. This is a violation of Louisiana R.S. 39:1225.

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

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

SECTION III **MANAGEMENT LETTER**

There was no management letter with prior year audit report.

See independent auditor's report.

Schedule 3

Village of Simpson

MANAGEMENT'S CORRECTIVE ACTION PLAN

For the Fiscal Year Ended June 30,2003

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

N/A

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

N/A

SECTION III **MANAGEMENT LETTER**

N/A

See independent auditor's report.