

00 0000 00:42

**OFFICIAL  
FILE COPY**

**DO NOT SEND OUT**

(Xerox necessary  
copies from this  
copy and PLACE  
BACK In FILE)

**VILLAGE OF GRAYSON**

*Grayson, Louisiana*

**Audit Report**

**As of and For the Year Ended December 31, 1998**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 7-14-99

**Jimmie Self, CPA**  
*A Professional Accounting Corporation*  
2908 Cameron Street, Suite C  
Monroe, Louisiana 71201  
Phone (318) 323-4656 Fax (318) 388-0724

**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**  
**General Purpose Financial Statements As of and For the Year Ended**  
**December 31, 1998**  
*With Supplemental Information Schedules*

**TABLE OF CONTENTS**

	<u>PAGE</u>
<b>Independent Auditor's Report</b>	1
<b><u>General Purpose Financial Statements:</u></b>	
Combined Balance Sheet (All Fund Types and Account Groups)	2
<i>Governmental Funds:</i>	
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund, All Governmental Fund Types	3
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund-Budget (GAAP Basis) and Actual	4
<i>Proprietary Funds:</i>	
Combined Statement of Revenues, Expenses and Changes in Retained Earnings	5
Combined Statement of Cash and Cash Equivalents Flows	6
Notes to the Financial Statements	7 – 16
<b><u>Supplemental Information:</u></b>	
Supplemental Information – Enterprise Fund	17
Combining Balance Sheet – Enterprise Fund	18
Combining Schedule of Revenues, Expenses and Changes in Retained Earnings – Enterprise Fund	19
Combining Schedule of Cash Flows – Proprietary Fund Type – Enterprise Fund	20

**Other Supplemental Information:**

Schedule of Compensation Paid to the Mayor and Aldermen/Women	21
Schedule of Federal Financial Assistance	22

**Other Report's:**

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	23
Report On Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance In Accordance With OMB Circular A-133	24 – 25
Schedule of Findings and Questioned Costs	26
Communication of Reportable Conditions to Management	27

**JIMMIE SELF, CPA**  
*A Professional Accounting Corporation*  
2908 Cameron Street, Suite C  
Monroe, Louisiana 71201  
Phone (318) 323-4656 Fax (318) 388-0724

---

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Village of Grayson  
Grayson, Louisiana  
June 25, 1999

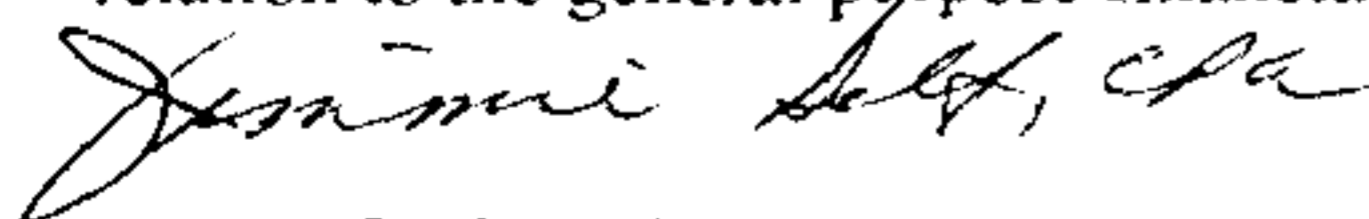
I have audited the accompanying general purpose financial statements of Village of Grayson, Louisiana, as of and for the year ended December 31, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the Towns management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted accounting 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 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 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 Grayson as of December 31, 1998, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated June 25, 1999, on my consideration of Village of Grayson's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

My audit was performed for the purpose of forming an opinion on the general-purpose financial statements of Village of Grayson, Louisiana, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in my opinion, is fairly stated, in all material respects in relation to the general purpose financial statements taken as a whole.



Jimmie Self, CPA  
June 25, 1999

VILLAGE OF GRAYSON, LOUISIANA  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 COMBINED BALANCE SHEET  
 DECEMBER 31, 1998

	<u>GOVERNMENTAL FUNDS</u>	<u>PROPRIETARY FUNDS</u>	<u>ACCOUNT GROUPS</u>	<u>TOTAL</u>
	<u>GENERAL FUND</u>	<u>ENTERPRISE FUND</u>	<u>GENERAL FIXED ASSETS</u>	<u>(MEMORANDUM ONLY)</u>
<b>ASSETS AND OTHER DEBITS</b>				
<b>ASSETS:</b>				
CASH AND CASH EQUIVALENTS	\$ 44,767	\$ 92,997	\$	\$ 137,764
RECEIVABLES (NET OF ALLOWANCE FOR UNCOLLECTIBLES)	3,147	14,217		17,364
RESTRICTED ASSETS:				
CASH-SEWERAGE CONST FUND		48,094		48,094
LAND, BUILDINGS, AND EQUIPMENT (NET, WHERE APPLICABLE, OF ACCUMULATED DEPRECIATION)		<u>1,507,565</u>	<u>309,404</u>	<u>1,816,969</u>
<b>TOTAL ASSETS AND OTHER DEBITS:</b>	<u>\$ 47,914</u>	<u>\$ 1,662,873</u>	<u>\$ 309,404</u>	<u>\$ 2,020,191</u>
<b>LIABILITIES, EQUITY, AND OTHER CREDITS</b>				
<b>LIABILITIES:</b>				
ACCOUNTS, SALARIES, AND OTHER PAYABLES	6,788	6,622		13,410
PAYABLE FROM RESTRICTED ASSETS:				
CUSTOMER DEPOSITS		20,645		20,645
REVENUE BONDS PAYABLE		412,899		412,899
ACCRUED INTEREST PAYABLE		<u>7,975</u>		<u>7,975</u>
<b>TOTAL LIABILITIES:</b>	<u>6,788</u>	<u>448,141</u>		<u>454,929</u>
<b>EQUITY AND OTHER CREDITS:</b>				
CONTRIBUTED CAPITAL		965,105		965,105
INVESTMENT IN GENERAL FIXED ASSETS			309,404	309,404
FUND BALANCE	41,126			41,126
RETAINED EARNINGS - RESERVED FOR SEWER CONSTRUCTION		43,743		43,743
RETAINED EARNINGS - UNRESERVED		<u>205,884</u>		<u>205,884</u>
<b>TOTAL EQUITY AND OTHER CREDITS:</b>	<u>41,126</u>	<u>1,214,732</u>	<u>309,404</u>	<u>1,565,262</u>
<b>TOTAL LIABILITIES, EQUITY, AND OTHER CREDITS:</b>	<u>\$ 47,914</u>	<u>\$ 1,662,873</u>	<u>\$ 309,404</u>	<u>\$ 2,020,191</u>

BALANCE

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF GRAYSON, LOUISIANA  
 ALL GOVERNMENTAL FUND TYPES  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE/EQUITY  
 FOR THE YEAR ENDED DECEMBER 31, 1998

	GENERAL FUND
REVENUES:	
PROPERTY TAXES	\$ 6,430
TOBACCO TAX	2,145
FINES	8,615
OCCUPATIONAL LICENSE	20,121
FRANCHISE FEES	10,047
FIRE PROTECTION ASSESSMENT	23,098
MISCELLANEOUS INCOME	4,673
TOTAL REVENUES:	<u>75,130</u>
EXPENDITURES:	
GENERAL GOVERNMENT	
TOTAL EXPENDITURES	<u>58,947</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES:	16,183
OTHER FINANCING SOURCES (USES)	
INTEREST INCOME	606
TOTAL OTHER FINANCING SOURCES (USES)	<u>606</u>
EXCESS(DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	16,789
FUND BALANCE / EQUITY AT BEGINNING OF YEAR	<u>24,336</u>
FUND BALANCE/EQUITY AT END OF YEAR	<u>41,125</u>

INCOME-98

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF GRAYSON, LOUISIANA  
GOVERNMENTAL FUND TYPE-GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE-BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 1998

	BUDGET	ACTUAL	VARIABLE FAVORABLE (UNFAVORABLE)
<b>REVENUES:</b>			
PROPERTY TAXES	\$ 6,188	6,430	243
TOBACCO TAX	2,145	2,145	0
SALES TAX	1,213		(1,213)
FIRE PROTECTION ASSESSMENT	22,830	23,098	268
FINES	8,670	8,615	(55)
OCCUPATIONAL LICENSE	20,121	20,121	0
FRANCHISE FEES	10,047	10,047	0
MISCELLANEOUS INCOME	159	4,673	4,514
TOTAL REVENUES:	<u>71,374</u>	<u>75,131</u>	<u>3,757</u>
<b>EXPENDITURES:</b>			
GENERAL GOVERNMENT			
TOTAL EXPENDITURES	<u>73,334</u>	<u>58,947</u>	<u>14,387</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES:	(1,960)	16,184	18,144
<b>OTHER FINANCING SOURCES (USES)</b>			
INTEREST INCOME	109	606	497
TOTAL OTHER FINANCING SOURCES (USES)	<u>109</u>	<u>606</u>	<u>497</u>
EXCESS(DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(1,851)	16,790	14,939
FUND BALANCE / EQUITY AT BEGINNING OF YEAR	1,851	24,336	22,485
FUND BALANCE/EQUITY AT END OF YEAR	<u>0</u>	<u>41,126</u>	<u>41,125</u>

B VS. A GEN FUND

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF GRAYSON, LOUISIANA  
 ALL GOVERNMENTAL FUND TYPES  
 COMBINED STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN RETAINED EARNINGS/FUND BALANCES  
 FOR THE YEAR ENDED DECEMBER 31, 1998**

**OPERATING REVENUES:**

CHARGES FOR SERVICES	\$	151,685.00
GRANT INCOME		12,980.00
<b>TOTAL OPERATING INCOME:</b>		<u>164,665.00</u>

**OPERATING EXPENSES:**

SALARIES	41,168.25
AUTO EXPENSE	3,990.44
REPAIRS & MAINTENANCE	121.00
INSURANCE	8,269.99
MATERIAL & SUPPLIES	10,732.72
MAYORS SALARY	1,000.00
OXIDATION POND	757.00
STREET REPAIRS	17,650.15
EQUIPMENT RENTAL	721.00
CLERICAL FEES	6,195.45
TELEPHONE	759.59
SALES TAX	5,867.72
UTILITIES	15,138.89
ELECTRICITY-OXIDATION POND	4,155.00
DEPRECIATION	54,055.00
RETIREMENT	981.87
MISCELLANEOUS	1,956.00
<b>TOTAL OPERATING EXPENSES:</b>	<u>173,520.07</u>

**OPERATING INCOME (LOSS):**

(8,855.07)

**NONOPERATING REVENUES (EXPENSES):**

INTEREST INCOME	2,375.00
INTEREST EXPENSE:	(24,276.44)
<b>TOTAL NONOPERATING REVENUES (EXPENSES):</b>	<u>(21,901.44)</u>

**NET INCOME (LOSS):**

(30,756.51)

**RETAINED EARNINGS/FUND BALANCES AT BEGINNING OF YEAR:**

RETAINED EARNINGS - RESERVED	43,076.00
RETAINED EARNINGS - UNRESERVED	194,976.00

**RETAINED EARNINGS/FUND BALANCES AT END OF YEAR:**

RETAINED EARNINGS - RESERVED	43,743.00
RETAINED EARNINGS - UNRESERVED	\$ <u>205,884.00</u>

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMEN**



VILLAGE OF GRAYSON, LOUISIANA  
 PROPRIETARY FUND-ENTERPRISE FUND  
 COMBINED STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 1998

CASH FLOWS FROM OPERATING ACTIVITIES:

NET INCOME	<u>(32,167)</u>
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
DEPRECIATION	54,055
INCREASE(DECREASE) IN ACCOUNTS RECEIVABLE	2,765
INCREASE(DECREASE) IN ACCOUNTS PAYABLE	3,507
INCREASE(DECREASE) IN OTHER LIABILITIES	<u>(444)</u>
TOTAL ADJUSTMENTS	59,883
NET CASH PROVIDED BY OPERATIONS	<u>27,716</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(4,208)
PAYMENT ON LONG-TERM DEBT	<u>(5,208)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	(9,416)

NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS: 18,300

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR: 122,792

CASH AND CASH EQUIVALENTS AT END OF YEAR: \$ 141,092

CASH PAID FOR INTEREST: 24276

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

CRDCSHE1

**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**  
**Notes to the Financial Statements**  
**December 31, 1998**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Village of Grayson was incorporated under the provision of the Lawrason Act (Louisiana Revised Statutes [LSA - R.S.] 33.321 - 463) and operates under a Mayor-Board of Aldermen/Women form consisting of 4 members of government. It provides the following services to its residents: public safety (police); highways and streets; gas, water, sewer, and sanitation facilities through the utility fund; culture/recreation; and general administrative services.

The accounting and reporting policies of the municipality conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the industry audit guide, Audits of State and Local Governmental Units.

**A. REPORTING ENTITY**

As the municipal governing authority, for reporting purposes, the Village of Grayson, Louisiana is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government, (municipality), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Village of Grayson, Louisiana for the financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria include:

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

No component units are included in this report, since there are none.

**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**  
**Notes to the Financial Statements**  
**December 31, 1998**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**B. FUND ACCOUNTING**

The Village of Grayson uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the Village of Grayson are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

**Governmental Funds**

Governmental funds account for all or most of the Village of Grayson's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds include:

General Fund - the general operating fund of the Village of Grayson accounts for all financial resources, except those required to be accounted for in other funds.

**Proprietary Funds**

Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds include:

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

**C. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by all governmental funds, and agency funds. There are four board members, including the mayor. The population is approximately 544. Approximately 10 people are employed by the Town. The governmental funds use the following practices in recording revenues and expenditures:

**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**  
**Notes to the Financial Statements**  
**December 31, 1998**

---

**Revenues**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied by the Village in September or October and are actually billed on October 1, and are mailed to the taxpayers in November. *Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.*

The Village bills and collects its own property taxes using the assessed value determined by the tax assessor of Franklin Parish.

The year ended December 31, 1998, taxes of 5.89 mills were levied on property with assessed valuations totaling 889,244 and were deducted as follows:

General corporate purposes	5.89 mills
----------------------------	------------

Property tax revenues are recognized when they become available. Available includes those property tax receivables elected to be collected within sixty days after year end. Delinquent taxes are considered fully collectible and therefore an allowance for uncollectible taxes is not provided. These taxes and other major revenue sources are susceptible to accrual.

Fines, bond forfeiture, and fees are recognized when collected by the Village. Interest income is recorded when it is credited to accounts by the Bank.

**Expenditures**

Salaries are recorded as expenditures when earned by employees.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Principal and interest on general long - term debt and installment purchase payments are recognized when due.

The Water and Sewerage Enterprise Funds are maintained on the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. The Water and Sewerage Enterprise Funds use the economic resources measurement focus. The accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheet.

**D. BUDGETS**

The Village of Grayson (Mayor and Council) uses the following budget practices:

- (1) Prior to December 31, the town Clerk submits to the Mayor and Council Members a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. The budget is submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.

**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**  
**Notes to the Financial Statements**  
**December 31, 1998**

---

- (2) Public hearings are conducted to obtain taxpayer comment.
- (3) During the month of January the budget is legally enacted through passage of an ordinance.
- (4) Formal budgetary integration is employed as a management control device during the year for the General Fund.
- (5) Budgets for the General Fund, are adopted on the GAAP basis.
- (6) Appropriations lapse at the end of each fiscal year.
- (7) The Mayor and Council Members authorize supplemental appropriations during the year. Supplemental appropriations were made during the fiscal year.

**E. ENCUMBRANCES**

Encumbrance accounting is not used.

**F. CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposits, interest - bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Village of Grayson 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.

Under state law, the Village of Grayson may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

**G. RESTRICTED ASSETS**

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**H. FIXED ASSETS**

Fixed Assets used in governmental fund operations (general fixed assets) are accounted for in the general fixed assets account group rather than the governmental funds. Public domain or infrastructures are not capitalized. Interest costs incurred during construction are not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost.

Fixed assets of the Enterprise Funds are recorded at cost, if purchased, and at fair market value at date of gift, if donated. They are included on the balance sheet net of accumulated depreciation. Major additions are capitalized while maintenance and repairs that do not improve or extend life of the respective assets are charged to expenses. Contributions received in aid of construction are credited to contributions accounts and do not reduce the cost of the assets acquired within such transactions.

**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**  
**Notes to the Financial Statements**  
**December 31, 1998**

---

Depreciation of all exhaustible fixed assets used by the proprietary fund operations is charged as an expense against operations. Depreciation on assets acquired by grants is recaptured to retained earnings and amortized against contributed capital. Depreciation of property, plant and equipment has been provided over the estimated useful life using the straight-line method of 3-40 years.

The general fixed assets account group is not a fund. It is concerned only with the measurement of financial position, not with measurement of results of operations.

Long-term obligations expected to be financed from governmental funds are reported in the general long-term debt obligations account group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental funds when due. Long-term obligations expected to be financed from proprietary fund operations are accounted for in those funds.

**I. LONG - TERM OBLIGATIONS**

Long - term obligations expected to be financed from governmental funds are reported in the general long - term obligations account group. Expenditures for principal and interest payments for long - term obligations are recognized in the governmental funds when due. Long-term obligations expected to be financed from proprietary fund operations are accounted for in those funds.

**J. COMPENSATED ABSENCES**

Village employees are entitled to ten days of compensated absences. However, compensated absences do not vest or accumulate and are recorded as expenditures when they are paid.

**K. FUND EQUITY**

Contributed Capital

Contributed capital is recorded in the Enterprise Fund that has received capital grants or contributions from developers, customers, or other funds when such resources are restricted for the acquisition or construction of capital assets. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources. This depreciation is closed to the contributed capital account and is reflected as an adjustment to net income.

Reserves

Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use.

Designated Fund Balances

Designated fund balances represent tentative plans for future use of financial resources.

**L. TOTAL COLUMNS ON COMBINED STATEMENTS**

Total columns on the combined statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, result of operations, or changes in financial position in conformity with generally accepted accounting principles.

**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**  
**Notes to the Financial Statements**  
**December 31, 1998**

Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 2 - LEVIED TAXES**

Authorized Millage 5.89 ; Levied Millage 5.89

**NOTE 3 - CASH AND CASH EQUIVALENTS**

The following is a summary of cash and cash equivalents (book balances) at December 31, 1998, the Village had cash totaling \$185,860, as follows:

Demand Deposits	137,766
Restricted Assets (Cash)	48,094
Total	<u>185,860</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the 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. Cash and cash equivalents (bank balances) at December 31, 1998 are secured as follows:

Bank Balances	<u>185,860</u>
Federal Deposit Insurance	300,000
Pledged Securities	<u>145,006</u>
Total	<u>445,006</u>

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

**NOTE 4 - RECEIVABLES**

The receivables of 17,362 at December 31, 1998, are as follows:

General Fund	3,145
Enterprise Fund	14,217
Total	<u>17,362</u>

No allowance for Doubtful Accounts has been established

**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**  
**Notes to the Financial Statements**  
**December 31, 1998**

**NOTE 5 - CHANGES IN FIXED ASSETS**

A summary of changes in general fixed assets follows:

	Balance 12-31-97	Additions	Retirements	Balance 12-31-98
<b>GENERAL FIXED ASSETS</b>				
Land	3,600	-	0	3,600
Building	295,491	-	0	295,491
Equipment	9,107	-	0	9,107
Auto	1,206	-	0	1,206
<b>TOTAL</b>	<b>309,404</b>	<b>-</b>	<b>0</b>	<b>309,404</b>

A summary of the fund type property, plant & equipment at December 31, 1998, follows:

	Water Fund	Sewer Fund	Totals
Buildings & Equipment		45,013	45,013
Sewer System	0	11,173	11,173
Water System	308,469	1,624,373	1,932,842
Total:	308,469	1,680,557	1,989,026
Less - Accumulated Depreciation	(109,799)	(371,664)	(481,462)
<b>Total</b>	<b>198,670</b>	<b>1,304,686</b>	<b>1,507,565</b>

**NOTE 7 - PENSION PLAN**

Substantially all employees of the Village of Grayson, are members of the following statewide retirement systems: *Municipal Employees Retirement System of Louisiana, Municipal Police Employees Retirement System of Louisiana, or Firefighters' Retirement System of Louisiana.* These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

**A. Municipal Employees Retirement System of Louisiana**

*Plan Description.* The system is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. [All employees of the municipality are members of (Plan A) (Plan B)]. [or Some employees of the municipality are members of Plan A and some are members of Plan B.]

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. [Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 percent for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final-average salary.] Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of



**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**  
**Notes to the Financial Statements**  
**December 31, 1998**

creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The system issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (504) 925-4810.

*Funding Policy.* [Under Plan B, members are required by state statute to contribute 5.0 percent of their annual covered salary and the Village of Grayson is required to contribute at an actuarially determined rate. The current rate is 3.75 percent of annual covered payroll.] Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Village of Grayson are established and may be amended by state statute. As provide by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. [Village of Grayson contributions to the System under Plan B for the years ending December 31, 1998, 1997, and 1996, were \$3,318, \$ 2,836 and \$2,941, respectively, equal to the required contributions of each year.]

**NOTE 8 - ACCOUNTS, SALARIES, AND OTHER PAYABLES OF \$13,410 ARE AS FOLLOWS:**

The following is a summary of payables at December 31, 1998

Accounts Payable - General Fund	6,788
Accounts Payable - Enterprise Fund	<u>6,622</u>
Total	<u><u>13,410</u></u>

**NOTE 9 - LONG - TERM DEBT**

Long-term debt at December 31, 1998, was composed of the following:

212,700	Sewer Revenue bond (Bond R-1) dated August 4, 1989; due in annual installments of \$12,500; due August 4, 1991-2029; Interest at 5%	195,076
237,500	Sewer Revenue Bond (Bond R-2) dated August 4, 1989; due in annual installments of \$13,958; due August 4, 1991-2029; Interest at 5%	<u>217,822</u>
		412,899
	Less Current Portion:	<u>5,209</u>
		<u><u>407,690</u></u>

**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**  
**Notes to the Financial Statements**  
**December 31, 1998**

The annual requirements to amortize all long-term debt outstanding as of December 31, 1995, including interest payments of \$514,813 are as follows:

Year	Revenue Bonds
1999	26,458
2000	26,458
2001	26,458
2002	26,458
2003	26,458
2004 – 2029	687,915

Under the terms of the bond indenture on outstanding sewer revenue bonds, dated August 4, 1989, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operations of the sewer system are pledged and dedicated to the retirement of said bonds, and are to be set aside in the following funds:

- a. Each month there will be set aside into a fund called the "Sinking Fund" an amount constituting 1/12 of the next maturing installment of principal and interest on the outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principle and interest installments as they become due, and may be used only for such payments.

The following is a schedule of deposits that should be made to the Sinking Fund:

<u>PERIOD</u>	<u>MONTHLY DEPOSITS</u>
08-20-90 through 07-20-90	\$ 2,204.86

- b. There shall also be set aside in a Reserve Fund an amount equal to 5% of the principal and interest payments required during the month until there shall have been accumulated in the Reserve Account an amount equal to \$38,202.

The following is a schedule of deposits that should be made to the Reserve Fund:

<u>PERIOD</u>	<u>MONTHLY DEPOSITS</u>
08-20-90 through 07-20-90	\$176.23 per month must be deposited into the fund until \$42,294 has been Accumulated.

- c. Monthly deposits of \$112 should also be made for the period of August 20, 1990 through July 20, 2029 to the Contingency Fund.

**NOTE 10 - POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

The Village of Grayson has no retired employees as of December 31, 1998.

**NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The Village maintains two Enterprise Funds, of which one provides water service and the other sewer services. Segment information as of and for the year ended December 31, 1998, was as follows:

**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**  
**Notes to the Financial Statements**  
**December 31, 1998**

	WATER FUND	SEWER FUND	TOTALS
Operating Revenues	116,783	47,882	164,665
Depreciation	9,822	44,237	54,059
Operating Income (Loss)	5,996	(20,470)	(14,474)
Net Income	6,813	(43,188)	(36,375)
Property, Plant & Equipment	198,670	1,304,687	1,503,357
Net Working Capital	63,089	51,768	114,857
Total Assets	288,021	1,370,644	1,658,665
Bonds Payable from Operating Revenues	0	412,899	412,899
Total Equity	261,759	948,765	1,210,524

**NOTE 12 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

**Litigation**

According to the Village's attorney there were no pending litigations or claims against the Village as of December 31, 1998.

**Federal Assisted Programs**

The Village received financial assistance from Federal and State governmental agencies in the form of grants. The disbursements of funds received under these programs generally requires compliance with terms and conditions specified on the grant agreements.

**NOTE 13 - LEASES**

There are no leases.

**NOTE 14 - YEAR 2000 CONSIDERATION**

The Village of Grayson could be adversely affected if its computer systems and other date-sensitive equipment do not properly process data from and after January 1, 2000. The Village of Grayson is currently taking steps designed to address the year 2000 issue. However, there are no assurances that these steps will be sufficient to avoid all adverse effects.

**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**  
**Notes to the Financial Statements**  
**December 31, 1998**

---

**Supplemental Information Schedules**  
*Proprietary Fund Types*

VILLAGE OF GRAYSON  
Grayson, Louisiana  
Notes to the Financial Statements  
December 31, 1998

---

JIMMIE SELF, CPA  
*A PROFESSIONAL ACCOUNTING CORPORATION*  
2908 CAMERON STREET, SUITE C  
MONROE, LOUISIANA 71201  
PHONE (318) 323-4656 FAX (318) 300-0724

---

---

VILLAGE OF GRAYSON  
SUPPLEMENTAL INFORMATION  
For the Year Ended December 31, 1998

ENTERPRISE FUNDS:

Sewer Fund

The Sewer System Fund accounts for operations of the Village Sewerage System and construction of this System.

Water System Fund

The Water System Fund accounts for the operations of the Village water system.

VILLAGE OF GRAYSON, LOUISIANA  
 ENTERPRISE FUNDS  
 COMBINING BALANCE SHEET  
 DECEMBER 31, 1998

	WATER FUND	SEWER FUND	TOTAL (MEMORANDUM ONLY)
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
CASH	\$ 79,543	\$ 13,454	\$ 92,997
RECEIVABLES	9,808	4,409	14,217
<b>TOTAL CURRENT ASSETS:</b>	<b>89,351</b>	<b>17,863</b>	<b>107,214</b>
<b>RESTRICTED ASSETS:</b>			
CASH-SEWERAGE CONST FUND	0	48,094	48,094
<b>TOTAL RESTRICTED ASSETS:</b>	<b>0</b>	<b>48,094</b>	<b>48,094</b>
LAND, BUILDINGS, AND EQUIPMENT (NET, WHERE APPLICABLE, OF ACCUMULATED DEPRECIATION)	198,670	1,308,895	1,507,565
<b>TOTAL ASSETS:</b>	<b>\$ 288,021</b>	<b>\$ 1,374,852</b>	<b>\$ 1,662,873</b>
<b>LIABILITIES AND FUND EQUITY:</b>			
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
ACCOUNTS PAYABLE	\$ 5,617	\$ 1,005	\$ 6,622
BONDS PAYABLE		5,209	5,209
<b>TOTAL CURRENT LIABILITIES:</b>	<b>5,617</b>	<b>6,214</b>	<b>11,831</b>
<b>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</b>			
CUSTOMER DEPOSITS	20,645	0	20,645
ACCRUED INTEREST PAYABLE	0	7,975	7,975
<b>TOTAL CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS):</b>	<b>20,645</b>	<b>7,975</b>	<b>28,620</b>
<b>LONG-TERM LIABILITIES:</b>			
REVENUE BONDS PAYABLE	0	407,690	407,690
<b>TOTAL LONG-TERM LIABILITIES:</b>	<b>20,645</b>	<b>407,690</b>	<b>407,690</b>
<b>TOTAL LIABILITIES:</b>	<b>26,262</b>	<b>421,879</b>	<b>448,141</b>
<b>FUND EQUITY:</b>			
FEDERAL GRANTS-CONTRIBUTED CAPITAL	167,915	1,060,001	1,227,916
LESS: AMORTIZATION-GRANTS	51,497	(211,314)	(159,817)
<b>TOTAL CONTRIBUTED CAPITAL:</b>	<b>116,418</b>	<b>848,687</b>	<b>965,105</b>
RETAINED EARNINGS - RESERVED FOR SEWER CONSTRUCTION	0	43,743	43,743
RETAINED EARNINGS - UNRESERVED	145,341	60,543	205,884
<b>TOTAL FUND EQUITY:</b>	<b>261,759</b>	<b>952,973</b>	<b>1,214,732</b>
<b>TOTAL LIABILITIES AND FUND EQUITY:</b>	<b>\$ 288,021</b>	<b>\$ 1,374,852</b>	<b>\$ 1,662,873</b>

ENT-BA1

VILLAGE OF GRAYSON, LOUISIANA  
ENTERPRISE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS/FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 1998

	WATER FUND	SEWER FUND	TOTAL (MEMORANDUM ONLY)
<b>OPERATING REVENUES:</b>			
CHARGES FOR SERVICES	\$ 103,803	\$ 47,882	\$ 151,685
GRANT INCOME	12,980		12,980
TOTAL OPERATING INCOME:	<u>116,783</u>	<u>47,882</u>	<u>164,665</u>
<b>OPERATING EXPENSES:</b>			
SALARIES	38,108	3,060	41,168
AUTO EXPENSE	3,990	1,414	5,404
REPAIRS/MAINTENANCE	2,412	1,815	4,227
INSURANCE	4,596	3,673	8,269
MATERIALS/SUPPLIES	8,355	86	8,441
MAYORS SALARY	1,000		1,000
OXIDATION POND		2,237	2,237
STREET REPAIRS	15,834		15,834
EQUIPMENT RENTAL	720		720
CLERICAL FEES-CROSSROADS	6195	757	6,952
TELEPHONE	759	2,618	3,377
SALES TAX	3,249		3,249
UTILITIES	12,901		12,901
CONTRACTORS		4,155	4,155
DEPRECIATION	9,822	44,237	54,059
RETIREMENT	890	92	982
MISCELLANEOUS	1,956	0	1,956
TOTAL OPERATING EXPENSES:	<u>110,787</u>	<u>64,144</u>	<u>174,930</u>
OPERATING INCOME (LOSS):	5,996	(16,262)	(10,265)
<b>NONOPERATING REVENUES (EXPENSES):</b>			
INTEREST INCOME	817	1,558	2,375
INTEREST EXPENSE		(24,276)	(24,276)
TOTAL NONOPERATING REVENUES (EXPENSES):	<u>817</u>	<u>(22,718)</u>	<u>(21,901)</u>
NET INCOME (LOSS):	6,813	(38,980)	(32,166)
<b>RETAINED EARNINGS/FUND BALANCES AT BEGINNING OF YEAR:</b>			
RETAINED EARNINGS - RESERVED		43,076	43,076
RETAINED EARNINGS - UNRESERVED	130,004	64,970	194,974
<b>RETAINED EARNINGS/FUND BALANCES AT END OF YEAR:</b>			
RETAINED EARNINGS - RESERVED	0	0	43,743
RETAINED EARNINGS - UNRESERVED	\$ <u>136,817</u>	\$ <u>69,066</u>	\$ <u>205,884</u>

COMB98EF

VILLAGE OF GRAYSON, LOUISIANA  
 PROPRIETARY FUND-ENTERPRISE FUND  
 COMBINING SCHEDULE OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 1998

	WATER FUND	SEWER FUND	TOTAL (MEMORANDUM ONLY)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
NET INCOME	\$ 6,813	\$ (38,980)	(32,167)
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
DEPRECIATION	9,822	44,233	54,055
INCREASE(DECREASE) IN ACCOUNTS RECEIVABLE	(695)	3,459	2,763
INCREASE(DECREASE) IN ACCOUNTS PAYABLE	3,504	3	3,507
INCREASE (DECREASE) IN OTHER LIABILITIES	0	(444)	(444)
TOTAL ADJUSTMENTS	<u>47,251</u>	<u>47,251</u>	<u>59,881</u>
NET CASH PROVIDED BY OPERATIONS	<u>19,444</u>	<u>8,271</u>	<u>27,714</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS		(4,208)	(4,208)
PAYMENT ON LONG-TERM DEBT	0	(5,208)	(5,208)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>0</u>	<u>(9,416)</u>	<u>(9,416)</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS:	19,444	(1,145)	18,299
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR:	<u>60,099</u>	<u>62,693</u>	<u>122,792</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR:	<u>\$ 79,543</u>	<u>\$ 61,548</u>	<u>141,091</u>

CASHFLOW



**VILLAGE OF GRAYSON**  
Grayson, Louisiana  
Notes to the Financial Statements  
December 31, 1998

---

**VILLAGE OF GRAYSON**  
Schedule of Compensation Paid to the Mayor and Aldermen/Women  
For the Year Ended December 31, 1998

Mayor I H Butler, Jr.	2,442
Alderman Gerald Rushing	990
Alderman Dennis Nugent	990
Alderman Raymond Cruse	990
<b>TOTAL</b>	<u>5,412</u>

VILLAGE OF GRAYSON, LOUISIANA  
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
 FOR THE YEAR ENDED DECEMBER 31, 1998

<u>Federal Agency or Department</u>	<u>CFDA No.</u>	<u>Grant Number</u>	<u>Federal Award Amount</u>	<u>1997 Program Assistance Received</u>	<u>1997 Expenditures</u>	<u>Total Program Expenditures to December 31, 1997</u>
United States Department of Housing and Urban Development - State of Louisiana, Division of Administration, Louisiana Development Block Grant Program	14.219	101-5072	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Federal Financial Assistance</b>			<u><u>\$ 0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

Total FHA Backed Loans At 12-31-98      \*\* 412,899

\*\* Denotes Major Program

s/a fasisin

JIMMIE SELF, CPA  
A Professional Accounting Corporation  
2908 Cameron Street, Suite C  
Monroe, Louisiana 71201  
Phone (318) 323-4656 Fax (318) 388-0724

---

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

Board of Commissioners  
Village of Grayson  
Grayson, Louisiana  
June 25, 1999

I have audited the financial statements of the Village of Grayson, Louisiana, as of and for the year ended December 31, 1998 and have issued my report thereon dated June 25, 1998. 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.

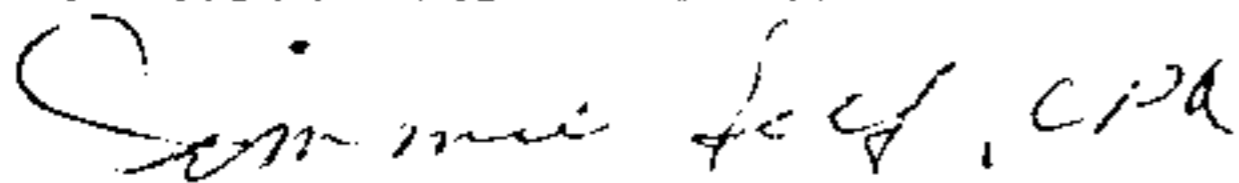
Compliance

As part of obtaining reasonable assurance about whether Village of Grayson, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provision 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 Village of Grayson, Louisiana'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 provide 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 over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the *internal control over financial reporting and its operation that I consider to be material weaknesses*.

This report is intended for the information of the Village of Grayson's management and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



Jimmie Self, CPA  
June 25, 1998

**JIMMIE SELF, CPA**  
*A Professional Accounting Corporation*  
2908 Cameron Street, Suite C  
Monroe, Louisiana 71201  
Phone (318) 323-4656 Fax (318) 388-0724

---

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners  
Village of Grayson  
Grayson, Louisiana  
June 25, 1999

Compliance

I have audited the compliance of Village of Grayson, Louisiana, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year December 31, 1998. Village of Grayson's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Village of Grayson's management. My responsibility is to express an opinion on Village of Grayson's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Village of Grayson's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Village of Grayson's compliance with those requirements.

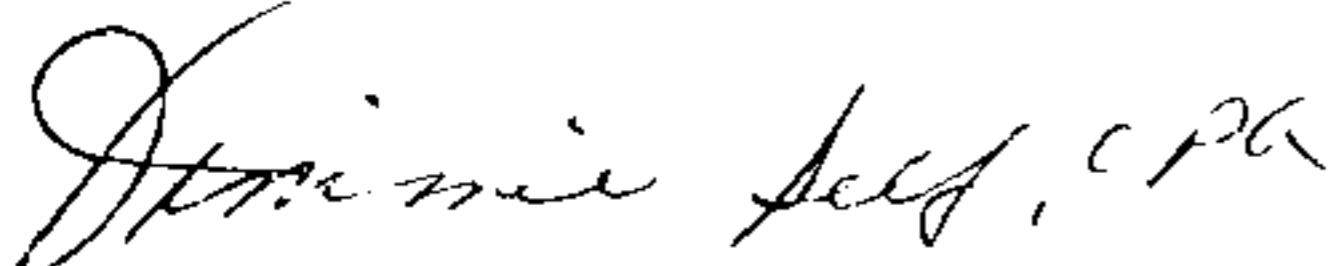
In my opinion, Village of Grayson complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1998.

Internal Control Over Compliance

The management of Village of Grayson is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Village of Grayson's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that I consider to be material weaknesses.

This report is intended for the information of the Village of Grayson's management and Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



Jimmie Self, CPA  
June 25, 1999

JIMMIE SELF, CPA  
A Professional Accounting Corporation  
2908 Cameron Street, Suite C  
Monroe, Louisiana 71201  
Phone (318) 323-4656 Fax (318) 388-0724

---

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 1998

I have audited the financial statements of Village of Grayson as of and for the year ended December 31, 1998, and have issued my report dated June 25, 1999. I conducted my audit in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. [and the provisions of OMB Circular A 133.] My audit of the financial statements as of December 31, 1998 resulted in an unqualified opinion (qualified, adverse, disclaimer).

Section I Summary of Auditor's Reports

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

Internal Control

Material Weaknesses  yes  no Reportable Conditions  yes  no

Compliance

Compliance material to Financial Statements  yes  no

b. Federal Awards

Internal Control

Material Weaknesses  yes  no Reportable Conditions  yes  no

Type of Opinion On Compliance Unqualified  Qualified   
For Major Programs Disclaimer  Adverse

Are their findings required to be reported in accordance with Circular A-133, Section 510(a)?  yes  no

c. Identification of Major Programs:

CFDA Number (s) 10.418 Name of Federal Program (or  
Cluster) FHA backed loans - U S Dept of Agriculture

JIMMIE SELF, CPA  
*A Professional Accounting Corporation*  
2908 Cameron Street, Suite C  
Monroe, Louisiana 71201  
Phone (318) 323-4656 Fax (318) 388-0724

---

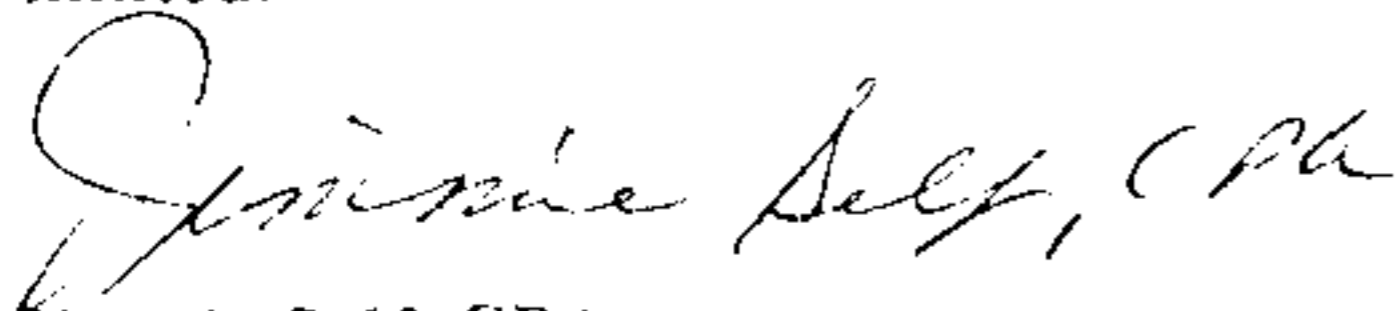
**COMMUNICATION OF REPORTABLE CONDITIONS TO MANAGEMENT**

Board of Commissioners  
Village of Grayson  
Grayson, Louisiana  
June 25, 1998

In planning and performing my audit of the general purpose financial statements of Village of Grayson for the year ended December 31, 1998, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control. However, I noted certain matters involving internal control and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control that, in my judgement, could adversely affect Village of Grayson ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

Inadequate segregation of duties, which has been noted as not cost beneficial.

This report is intended solely for the information and use of management, and the Louisiana Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.

  
Jimmie Self, CPA  
Monroe, Louisiana  
June 25, 1998