

VILLAGE OF GRAYSON
Grayson, Louisiana

Audit Report
As of and For the Year Ended December 31, 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 7-21-04

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VILLAGE OF GRAYSON
Grayson, Louisiana
General Purpose Financial Statements As of and For the Year Ended
December 31, 2003
With Supplemental Information Schedules

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
 <u>General Purpose Financial Statements:</u>	
Combined Balance Sheet (All Fund Types and Account Groups)	3
 <i>Governmental Funds:</i>	
Statement of Revenues, Expenditures and Changes in Fund Balance- All Governmental Fund Types	4
Statement of Revenues, Expenditures and Changes in Fund Balance- General Fund-Budget (GAAP Basis) and Actual	5
 <i>Proprietary Funds:</i>	
Combined Statement of Revenues, Expenses and Changes in Retained Earnings	6
Combined Statement of Cash and Cash Equivalents Flows	7
Notes to the Financial Statements	8-17
 <u>Supplemental Information:</u>	
Supplemental Information—Enterprise Fund	18
Combining Balance Sheet—Enterprise Fund	19
Combining Schedule of Revenues, Expenses and Changes in Retained Earnings—Enterprise Fund	20
Combining Schedule of Cash Flows—Proprietary Fund Type- Enterprise Fund	21

TABLE OF CONTENTS
(cont'd)

Other Supplemental Information:

Schedule of Compensation Paid to the Mayor and Councilmen/Women 22

Schedule of Federal Financial Assistance 23

Other Reports:

Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed
In Accordance With *Government Auditing Standards* 24-25

Report on Compliance With Requirements Applicable to Each
Major Program and Internal Control Over Compliance In
Accordance With *OMB Circular A-133* 26-27

Schedule of Findings and Questioned Costs 28

Communication of Reportable Conditions to Management 29

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Village of Grayson
Grayson, Louisiana
June 25, 2004

I have audited the accompanying general purpose financial statements of Village of Grayson, Grayson, La., as of and for the year ended December 31, 2003, as listed in the table of contents. *These general purpose financial statements are the responsibility of the Town's management. My responsibility is to express an opinion on these general purposes financial statements based on my audit.*

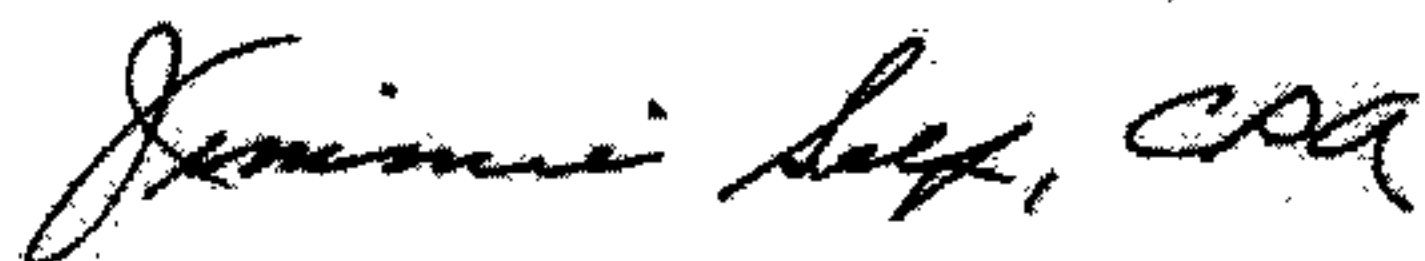
I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes 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 Grayson, Grayson, La., as of December 31, 2003, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The financial information listed as supplemental information schedules in the table of contents, including the accompanying schedule 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 financial statements of the Village of Grayson. Such information has been

subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards, I have also issued my report dated June 25, 2004, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

A handwritten signature in black ink that reads "Jimmie Self, CPA". The signature is written in a cursive style with a large initial "J".

Jimmie Self, CPA
June 25, 2004

VILLAGE OF GRAYSON, LOUISIANA
 ALL FUND TYPES AND ACCOUNT GROUPS
 COMBINED BALANCE SHEET
 December 31, 2003

	GOVERNMENTAL FUNDS		PROPRIETARY ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
	GENERAL FUND	SPECIAL REVENUE FUNDS	ENTERPRISE FUND	GENERAL FIXED ASSETS	
ASSETS AND OTHER DEBITS					
ASSETS:					
CASH AND CASH EQUIVALENTS	\$ 121,256	\$ 14,657	\$ 43,107	\$ -	\$ 179,019
RECEIVABLES (NET OF ALLOWANCE FOR UNCOLLECTIBLES)	2,409	-	19,957	-	22,366
RESTRICTED ASSETS:					
CASH-SEWERAGE CONST FUND	-	-	88,699	-	88,699
LAND, BUILDINGS, AND EQUIPMENT (NET, WHERE APPLICABLE, OF ACCUMULATED DEPRECIATION)	-	-	1,482,933	444,007	1,926,940
TOTAL ASSETS AND OTHER DEBITS:	123,665	14,657	1,634,696	444,007	2,217,025
LIABILITIES, EQUITY, AND OTHER CREDITS					
LIABILITIES:					
CURRENT LIABILITIES:					
ACCOUNTS, SALARIES, AND OTHER PAYABLES	3,651	-	11,423	-	15,074
TOTAL CURRENT LIABILITIES	3,651	-	11,423	-	15,074
PAYABLE FROM RESTRICTED ASSETS:					
CUSTOMER DEPOSITS	-	-	30,395	-	30,395
ACCRUED INTEREST PAYABLE	-	-	7,607	-	7,607
BONDS PAYABLE, CURRENT	-	-	6,380	-	6,380
TOTAL CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)	-	-	44,383	-	44,383
LONG-TERM LIABILITIES					
REVENUE BONDS PAYABLE	-	-	373,972	-	373,972
TOTAL LONG-TERM LIABILITIES	-	-	373,972	-	373,972
TOTAL LIABILITIES:	3,651	-	429,777	-	433,429
EQUITY AND OTHER CREDITS:					
CONTRIBUTED CAPITAL	-	-	1,232,693	-	1,232,693
LESS: AMORTIZATION -GRANTS	-	-	(381,327)	-	(381,327)
INVESTMENT IN GENERAL FIXED ASSETS	-	-	-	444,007	444,007
FUND BALANCE	120,014	14,657	-	-	134,671
RETAINED EARNINGS - RESERVED FOR SEWER CONSTRUCTION	-	-	67,446	-	67,446
RETAINED EARNINGS - UNRESERVED	-	-	286,106	-	286,106
TOTAL EQUITY AND OTHER CREDITS:	120,014	14,657	1,204,918	444,007	1,783,596
TOTAL LIABILITIES, EQUITY, AND OTHER CREDITS:	\$ 123,665	\$ 14,657	\$ 1,634,695	\$ 444,007	\$ 2,217,025

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENTS

VILLAGE OF GRAYSON, LOUISIANA/
 ALL GOVERNMENTAL FUND TYPES
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED DECEMBER 31, 2003

	GENERAL FUND	SPECIAL REVENUE FUNDS	TOTAL MEMORANDUM ONLY
REVENUES:			
PROPERTY TAXES	\$ 8,275	\$ -	\$ 8,275
FINES	3,070	-	3,070
OCCUPATIONAL LICENSE	21,272	-	21,272
FIRE ASSESSMENT INCOME	17,314	-	17,314
TOWN TAXES	23,330	-	23,330
MISCELLANEOUS INCOME	5,228	-	5,228
2% TAX	1,619	-	1,619
FORESTRY GRANTS	(6,790)	14,721	7,931
TOTAL REVENUES:	<u>73,318</u>	<u>14,721</u>	<u>88,039</u>
EXPENDITURES:			
GENERAL GOVERNMENT	71,572	-	71,572
ENGINEER EXPENSE	-	-	-
BANK CHARGES	-	69	69
STREET CONSTRUCTION	-	-	-
TOTAL EXPENDITURES:	<u>71,572</u>	<u>69</u>	<u>71,641</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES:	1,746	14,652	16,398
OTHER FINANCING SOURCES (USES)			
INTEREST INCOME	2,373	-	2,373
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,373</u>	<u>-</u>	<u>2,373</u>
NET INCOME (LOSS)	4,119	-	18,771
FUND BALANCE AT BEGINNING OF YEAR	<u>115,895</u>	<u>5</u>	<u>115,900</u>
FUND BALANCE AT END OF YEAR:	<u>\$ 120,014</u>	<u>\$ 14,657</u>	<u>\$ 134,671</u>

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, 2003

	GENERAL FUND BUDGETED	YEAR TO DATE ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	SPECIAL REVENUE FUNDS BUDGETED	YEAR TO DATE ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:						
Donations	\$ 50	\$ -	\$ (50)	\$ -	\$ -	\$ -
Property Taxes	8,701	8,276	(425)	-	-	-
Fines	3,070	3,070	-	-	-	-
Occupational License	21,272	21,272	-	-	-	-
Franchise Tax	17,314	17,314	-	-	-	-
Fire Assessment	23,330	23,330	-	-	-	-
Miscellaneous	5,228	5,228	-	-	-	-
Police Jury - 2% Tax	1,569	1,619	50	-	-	-
Forestry Grants	-	(6,790)	(6,790)	14,721	14,721	-
Total Revenues	80,533	73,319	(7,215)	14,721	14,721	-
Expenditures:						
Auto Expense	2,351	3,009	(658)	-	-	-
Dues and Subscriptions	-	-	-	-	-	-
Employee Benefit Programs Exp	2,210	1,272	938	-	-	-
Salary, Mayor	2,564	-	2,564	-	-	-
Salary, Councilmen	3,868	-	3,868	-	-	-
Insurance Expense	11,734	11,734	-	-	-	-
Misc. Expenses	4,071	4,233	(162)	-	-	-
Office Expense	6,978	6,978	-	-	-	-
Payroll Tax Expense	5,669	1,759	3,910	-	-	-
Postage & Supplies	419	419	-	-	-	-
Equipment	2,558	2,558	-	-	-	-
Maintenance & repairs	1,739	1,481	258	-	-	-
Supplies Expense	-	375	(375)	-	-	-
Materials and Supplies	488	-	488	-	-	-
Salaries Expense	23,054	23,054	-	-	-	-
Utilities Expense	12,101	12,101	-	-	-	-
Savings Account	-	-	-	-	-	-
Training Room Supplies	-	407	(407)	-	-	-
Telephone Expense	2,192	2,192	-	-	-	-
La Forestry Grant	-	-	-	-	-	-
Engineer Expense	-	-	-	-	-	-
Bank Charges	-	-	-	69	69	-
Street Construction	-	-	-	-	-	-
Total Expenses	81,997	71,572	(10,425)	14,652	14,652	-
Excess (Deficiency) of Revenues over Expenditures	(1,464)	1,747	3,210	14,652	14,652	-
Other Financing Sources (Uses)						
Interest Income	2,506	2,372	(134)	-	-	-
Total Other Financing Sources (Uses)	2,506	2,372	(134)	-	-	-
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	1,042	4,119	3,076	-	-	-
Fund Balance Beginning of Year	2,488	115,895	113,410	5	5	-
Fund Balance End of Year	\$ 3,530	\$ 120,014	\$ 116,484	\$ 14,657	\$ 14,657	\$ -

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF GRAYSON, LOUISIANA
ENTERPRISE FUNDS
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS/FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	TOTAL (MEMORANDUM ONLY)
OPERATING REVENUES:	
CHARGES FOR SERVICES	\$ 171,529
OTHER INCOME - INCLUDING DOTD REIMBURSEMENT	11,676
	<hr/>
TOTAL OPERATING INCOME:	183,205
OPERATING EXPENSES:	
SALARIES EXPENSE	50,353
AUTO EXPENSE	5,915
REPAIR	1,692
CROSS ROADS - WATER DEPT	6,049
INSURANCE	9,258
FOOTAGE AND SUPPLIES	1,236
TRACTOR EXPENSE	140
OFFICE EXPENSE	6,456
EMPLOYEE BENEFITS	3,158
PAYROLL TAXES	3,888
CROSS - CLERICAL FEES	666
TELEPHONE EXPENSE	1,945
SALES TAXES	1,782
UTILITIES	15,630
MISCELLANEOUS	6,713
MATERIAL & SUPPLIES	36,134
DEPRECIATION	58,105
OXIDATION POND EXPENSE	596
OXIDATION POND MATERIALS & SUPPLY	514
TOTAL OPERATING EXPENSES:	<hr/> 210,230 <hr/>
OPERATING INCOME (LOSS):	<hr/> (27,025) <hr/>
NONOPERATING REVENUES (EXPENSES):	
INTEREST INCOME	1,519
INEREST EXPENSE	(19,209)
TOTAL NONOPERATING REVENUES (EXPENSES):	<hr/> (17,690) <hr/>
NET INCOME (LOSS):	(44,715)
RETAINED EARNINGS/FUND BALANCES AT BEGINNING OF YEAR:	
RETAINED EARNINGS - RESERVED	67,446
RETAINED EARNINGS - UNRESERVED	330,823
	<hr/>
RETAINED EARNINGS/FUND BALANCES AT END OF YEAR:	
RETAINED EARNINGS - RESERVED	67,446
RETAINED EARNINGS - UNRESERVED	\$ 286,108

**VILLAGE OF GRAYSON, LOUISIANA
 PROPRIETARY FUND-ENTERPRISE FUND
 COMBINED STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2003**

CASH FLOWS FROM OPERATING ACTIVITIES:

NET INCOME	\$ (44,715)
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
DEPRECIATION	58,105
INCREASE(DECREASE) IN ACCOUNTS RECEIVABLE	1,397
INCREASE(DECREASE) IN ACCOUNTS PAYABLE	534
	<hr/>
TOTAL ADJUSTMENTS	60,036
NET CASH PROVIDED BY OPERATIONS	68,242

CASH FLOWS FROM INVESTING ACTIVITIES	
CAPITAL EXPENDITURES	(54,453)

NET CASH USED IN INVESTING ACTIVITIES	(54,453)
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CASH FLOWS FROM FINANCING ACTIVITIES	
PAYMENT ON LONG-TERM DEBT	(5,258)
NET CASH PROVIDED BY FINANCING ACTIVITIES	(7,502)

NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS:	(44,390)
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CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR:	176,197
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CASH AND CASH EQUIVALENTS AT END OF YEAR:	\$ 131,807
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Supplemental Disclosure of cash flow information	
Cash paid during the year for:	
Interest	19,209
Depreciation	58,105

Disclosure of accounting policy:
 For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of 3 months or less to be cash equivalents.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF GRAYSON
Grayson, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Grayson, Grayson, La., 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 compensated 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. BASIS OF PRESENTATION

The accompanying financial statements of the Village of Grayson, Grayson, La., have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. 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 includes:

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
As of and for the Year Ended December 31, 2003

C. 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.

D. 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:

Revenues

VILLAGE OF GRAYSON
Grayson, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2003

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, 2003, taxes of 5.90 mills were levied on property with assessed valuations totaling \$1,136,037 and were deducted as follows:

General corporate purposes	5.90 mills
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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.

E. 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.

(2) Public hearings are conducted to obtain taxpayer comment.

VILLAGE OF GRAYSON
Grayson, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2003

- (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.

F. ENCUMBRANCES

Encumbrance accounting is not used.

G. 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.

H. 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.

I. 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.

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

VILLAGE OF GRAYSON
Grayson, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2003

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.

J. 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.

K. 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.

L. 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.

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

VILLAGE OF GRAYSON
Grayson, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2003

NOTE 2 - LEVIED TAXES

Authorized Millage 5.90 ; Levied Millage 5.90

NOTE 3 - CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents (book balances) at December 31, 2003, the Village had cash totaling \$ 267,718, as follows:

Demand Deposits	179,019
Restricted Assets (Cash)	88,699
Total	<u>267,718</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, 2003 are secured as follows:

Bank Balances	<u>276,366</u>
Federal Deposit Insurance	300,000
Pledged Securities	<u>225,000</u>
Total	<u>525,000</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 22,365 at December 31, 2003, are as follows:

General Fund	2,409
Enterprise Fund	19,957
Total	<u>22,365</u>

No allowance for Doubtful Accounts has been established

NOTE 5 - CHANGES IN FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance 12-31-02	Additions	Retirements	Balance 12-31-03
GENERAL FIXED ASSETS				

VILLAGE OF GRAYSON
Grayson, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2003

Land	3,600	-	0	3,600
Building	295,491	-	0	295,491
Equipment	141,152	2,558	0	143,710
Auto	1,206	-	0	1,206
TOTAL	441,449	2,558	0	444,007

A summary of the fund type property, plant & equipment at December 31, 2003, follows:

	Water Fund	Sewer Fund	Totals
Buildings & Equipment		50,394	50,394
Sewer System	0	11,173	11,173
Water System	535,173	1,626,513	2,161,686
Total:	535,173	1,688,080	2,223,253
Less - Accumulated Depreciation	(171,720)	568,600	740,319
Total	363,453	1,119,480	1,482,933

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. Some employees of the municipality are members of Plan A and 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 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.

VILLAGE OF GRAYSON
Grayson, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2003

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 Statue 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, 2003, 2002, 2001, and 2000, were \$ 4,755, \$2,957, \$ 2,565, and \$2,580, respectively, equal to the required contributions of each year.] Employer rate was increased in 3rd Quarter 03.

NOTE 8 - ACCOUNTS, SALARIES, AND OTHER PAYABLES OF \$42,770 ARE AS FOLLOWS:

The following is a summary of payables at December 31, 2002

Accounts Payable – General Fund	3,651
Accounts Payable – Enterprise Fund	25,410
Customer Deposits	30,395
Total	59,456

NOTE 9 - LONG - TERM DEBT

Long-term debt at December 31, 2003, 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%	179,699
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%	200,653
		380,352
	Less Current Portion:	6,380
		373,972

The annual requirements to amortize all long-term debt outstanding as of December 31, 1995, including interest payments of \$582,083 are as follows:

Year	Revenue Bonds
2004	26,458
2005	26,458
2006	26,458
2007	26,458

**VILLAGE OF GRAYSON
Grayson, Louisiana**

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2003**

2008	26,458
2009-2029	555,625

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>
08-20-00 through 07-20-01	\$ 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, 2003

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, 2002, was as follows:

<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTALS</u>
-----------------------	-----------------------	---------------

VILLAGE OF GRAYSON
Grayson, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2003

Operating Revenues	135,034	48,171	183,205
Depreciation	21,130	36,975	58,105
Operating Income (Loss)	<27,114>	89	<26,314>
Net Income	<26,213>	<18,502>	<44,715>
Property, Plant & Equipment	363,453	1,119,480	1,482,933
Net Working Capital	47,679	78,431	126,110
Total Assets	422,798	1,211,898	1,634,969
Bonds Payable from Operating Revenues	0	380,352	380,352
Total Equity	264,818	823,682	1,204,918

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, 2003.

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.

Supplemental Information Schedules
Proprietary Fund Types

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VILLAGE OF GRAYSON
SUPPLEMENTAL INFORMATION
For the Year Ended December 31, 2003

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, 2003

	WATER FUND	SEWER FUND	TOTAL (MEMORANDUM ONLY)
ASSETS:			
CURRENT ASSETS:			
CASH	\$ 28,064	\$ 15,043	\$ 43,107
RECEIVABLES	<u>14,105</u>	<u>5,852</u>	<u>19,957</u>
TOTAL CURRENT ASSETS:	42,169	20,895	63,064
RESTRICTED ASSETS:			
CASH-SEWERAGE CONST FUND	17,176	71,523	88,699
TOTAL RESTRICTED ASSETS	<u>17,176</u>	<u>71,523</u>	<u>88,699</u>
LAND, BUILDINGS, AND EQUIPMENT (NET, WHERE APPLICABLE, OF ACCUMULATED DEPRECIATION)	<u>363,453</u>	<u>1,119,480</u>	<u>1,482,933</u>
TOTAL ASSETS:	<u><u>422,798</u></u>	<u><u>1,211,898</u></u>	<u><u>1,634,696</u></u>
LIABILITIES AND FUND EQUITY			
LIABILITIES:			
CURRENT LIABILITIES			
ACCOUNTS PAYABLE	11,166	257	11,423
OTHER CURRENT LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	11,166	257	11,423
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS):			
CUSTOMER DEPOSITS	30,395	-	30,395
ACCRUED INTEREST PAYABLE	-	7,607	7,607
BONDS PAYABLE, CURRENT	<u>-</u>	<u>6,380</u>	<u>7,607</u>
TOTAL CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS):	30,395	13,987	45,609
LONG-TERM LIABILITIES			
REVENUE BONDS PAYABLE	<u>-</u>	<u>373,972</u>	<u>373,972</u>
TOTAL LONG-TERM LIABILITIES	<u>-</u>	<u>373,972</u>	<u>373,972</u>
TOTAL LIABILITIES	41,561	388,216	429,777
FUND EQUITY:			
FEDERAL GRANTS-CONTRIBUTED CAPITAL	172,693	1,060,000	1,232,693
LESS: AMORTIZATION-GRANTS	<u>(56,275)</u>	<u>(325,052)</u>	<u>(381,327)</u>
TOTAL CONTRIBUTED CAPITAL	116,418	734,948	851,366
RETAINED EARNINGS - RESERVED FOR SEWER CONSTRUCTION	-	67,446	67,446
RETAINED EARNINGS - UNRESERVED	<u>264,818</u>	<u>21,288</u>	<u>286,106</u>
TOTAL FUND EQUITY:	<u>264,818</u>	<u>823,682</u>	<u>1,204,918</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 422,798</u></u>	<u><u>\$ 1,211,898</u></u>	<u><u>\$ 1,634,696</u></u>

The Accompanying Notes are an integral part of this statement

VILLAGE OF GRAYSON, LOUISIANA
ENTERPRISE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS/FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2003

	WATER FUND	SEWER FUND	TOTAL (MEMORANDUM ONLY)
OPERATING REVENUES:			
CHARGES FOR SERVICES	\$ 123,937	\$ 47,592	\$ 171,529
OTHER INCOME - INCLUDING DOTD REIMBURSEMENT	11,097	579	11,676
GRANT INCOME	-	-	-
TOTAL OPERATING INCOME:	<u>135,034</u>	<u>48,171</u>	<u>183,205</u>
OPERATING EXPENSES:			
SALARIES EXPENSE	49,873	480	50,353
AUTO EXPENSE	5,915	-	5,915
REPAIR	288	1,404	1,692
CROSS ROADS - WATER DEPT	6,049	-	6,049
FOOTAGE & SUPPLIES	1,236	-	1,236
INSURANCE	6,007	3,251	9,258
TRACTOR EXPENSE	140	-	140
OFFICE EXPENSE	5,014	1,442	6,456
EMPLOYEE BENEFITS	3,126	32	3,158
PAYROLL TAXES	3,851	37	3,888
CROSS - CLERICAL FEES	666	-	666
TELEPHONE EXPENSE	1,945	-	1,945
SALES TAXES	1,782	-	1,782
UTILITIES	12,332	3,298	15,630
MISCELLANEOUS	6,665	48	6,713
MATERIAL & SUPPLIES	36,128	6	36,134
DEPRECIATION	21,130	36,975	58,105
OXIDATION POND	-	596	596
OXIDATION POND MAT/SUPPLIES	-	514	514
TOTAL OPERATING EXPENSES:	<u>162,148</u>	<u>48,082</u>	<u>210,230</u>
OPERATING INCOME (LOSS):	(27,114)	89	(27,025)
NONOPERATING REVENUES (EXPENSES):			
INTEREST INCOME	901	618	1,519
INTEREST EXPENSE	-	(19,209)	(19,209)
TOTAL NONOPERATING REVENUES (EXPENSES):	<u>901</u>	<u>(18,502)</u>	<u>(17,690)</u>
NET INCOME (LOSS):	(26,213)	(18,502)	(44,715)
RETAINED EARNINGS/FUND BALANCES AT BEGINNING OF YEAR:			
RETAINED EARNINGS - RESERVED	-	67,446	67,446
RETAINED EARNINGS - UNRESERVED	291,033	39,790	330,823
RETAINED EARNINGS/FUND BALANCES AT END OF YEAR:			
RETAINED EARNINGS - RESERVED	-	67,446	67,446
RETAINED EARNINGS - UNRESERVED	<u>\$ 264,820</u>	<u>\$ 21,288</u>	<u>\$ 286,108</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF GRAYSON, LOUISIANA
 PROPRIETARY FUND-ENTERPRISE FUND
 COMBINING SCHEDULE OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>WATER FUND</u>	<u>SEWER FUND.</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
NET INCOME	\$ (26,213)	\$ (18,502)	\$ (44,715)
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
DEPRECIATION	21,130	36,975	58,105
INCREASE(DECREASE) IN ACCOUNTS RECEIVABLE	1,397	-	1,397
INCREASE(DECREASE) IN ACCOUNTS PAYABLE	2,999	(2,465)	534
TOTAL ADJUSTMENTS	<u>25,526</u>	<u>34,510</u>	<u>60,036</u>
NET CASH PROVIDED BY OPERATIONS	(687)	16,008	15,321
CASH FLOWS FROM INVESTING ACTIVITIES			
CAPITAL EXPENDITURES	(54,453)	-	(54,453)
NET CASH USED IN INVESTING ACTIVITIES	<u>(54,453)</u>	<u>-</u>	<u>(54,453)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
PAYMENT ON LONG-TERM DEBT	-	(5,258)	(5,258)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>(5,258)</u>	<u>(5,258)</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS:	(55,140)	10,750	(44,390)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR:	100,380	75,817	176,197
CASH AND CASH EQUIVALENTS AT END OF YEAR:	<u>\$ 45,240</u>	<u>\$ 86,567</u>	<u>\$ 131,807</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF GRAYSON
Grayson, Louisiana
December 31, 2002

VILLAGE OF GRAYSON
Schedule of Compensation Paid to the Mayor and Councilmen/Women
For the Year Ended December 31, 2003

CHRISTY BAILEY, COUNCILWOMAN	\$1,289.20
P.O. Box 681 Grayson, La. 71435 318-649-2152 Salary - \$ 111.60 per mo.	
JEANIE MCCOY, COUNCILWOMAN	\$1,289.20
7710 Hwy. 165 Columbia, La. 71418 318-649-5948 Salary - \$ 111.60 per mo.	
RAYMOND CRUSE, COUNCILMAN	\$1,289.20
P. O. Box 309 Grayson, La. 71435 318-649-7117 Salary - \$ 111.60 per mo.	
BUDDY NUGENT, MAYOR	\$2,564.00
P.O. Box 252 Grayson, La. 71435 318-649-5361 Salary - \$ 213.60	
Total	<u>\$6,431.60</u>

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INDEPENDENT AUDITOR'S 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, 2004

I have audited the (pre-34:) general purpose financial statements of the Village of Grayson, Louisiana, as of and for the year ended December 31, 2003, and have issued my report thereon dated June 25, 2004. I conducted my audit in accordance with auditing standards generally accepted in the *United States of America* and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

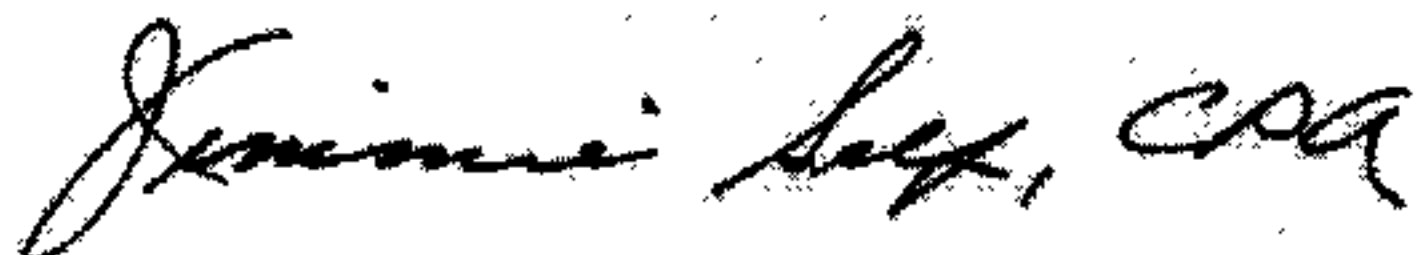
As part of obtaining reasonable assurance about whether Village of Grayson, Louisiana's (pre-34:) general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provision of laws, regulations, contracts and grants, noncompliance with which could 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 (pre-34) general purpose 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 (pre-34:) general purpose 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.

A handwritten signature in black ink that reads "Jimmie Self, CPA". The signature is written in a cursive style.

Jimmie Self, CPA
Monroe, Louisiana
June 25, 2004

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**INDEPENDENT AUDITOR'S 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, 2004

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 ended December 31, 2003. 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 auditing standards generally accepted in the United States of America; 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, 2003.

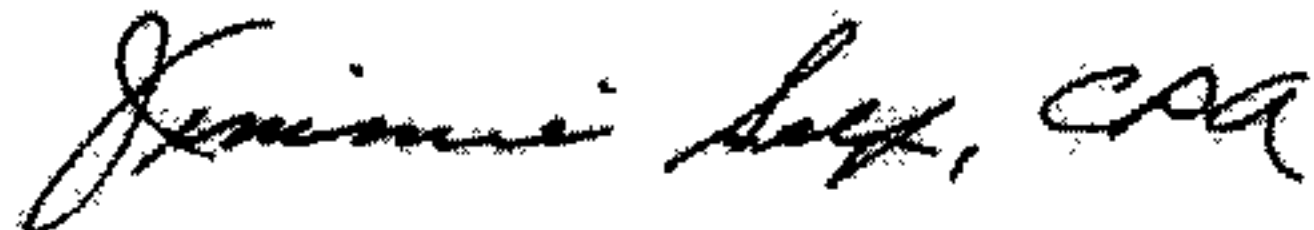
Internal Control Over Compliance

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, 2004

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Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2003

I have audited the financial statements of as of and for the year ended December 31, 2003, and have issued my report dated June 25, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America 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, 2003 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 X no Reportable Conditions ___ yes X no

Compliance

Compliance material to Financial Statements ___ yes X no

b. Federal Awards

Internal Control

Material Weakness ___ yes X no Reportable Conditions ___ yes X no

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

Are their findings required to be reported in accordance with Circular A-133, Section 501(a)? ___ yes X no

c. Identification of major Programs:

CFDA Number(s) 14.219 Name of Federal Program (or Cluster)
FHA backed loans—U S Dept. of Agriculture

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COMMUNICATION OF REPORTABLE CONDITIONS TO MANAGEMENT

Board of Commissioners
Village of Grayson
Grayson, Louisiana
June 25, 2004

In planning and performing my audit of the general purpose financial statements of Village of Grayson for the year ended December 31, 2003, 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, 2004