

VILLAGE OF GRAYSON
Grayson, Louisiana

Report on Audit
of
Basic Financial Statements
For The Year Ended
December 31, 2016

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VILLAGE OF GRAYSON
Grayson, Louisiana

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VILLAGE OF GRAYSON
Grayson, Louisiana

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Independent Auditor's Report

To the Honorable Mayor and the
Board of Directors
Village of Grayson
Grayson, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Grayson, Louisiana, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Village of Grayson's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements, based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information of the Village of Grayson, as of December 31, 2016, and the respective changes in financial position and, where applicable cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, management adopted Government Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Accordingly, adjustments of \$58,921 have been made to the beginning net position on the government-wide financial statements to implement the new standard. My opinions are not modified with respect to this matter.

Other matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of Proportionate Share of Net Pension Liability for Municipal Employees Retirement Pension and the Schedule of Employer Contributions to Municipal Employees Retirement System on pages 43 and 44, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on any of

required supplementary information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.


Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, which includes the Schedule of Findings and Responses, Summary Schedule of Findings, and Schedule of Compensation, Benefits, and Other Payments to Agency or Chief Executive Officer, shown on pages 49-53, is listed in the table of contents under Other Reporting Required by Government Auditing Standards, and is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, therefore, I express no opinion on it.

Also presented for the purpose of additional analysis and not a required part of the basic financial statements is the Schedule of Compensation Paid Elected Officials shown on page 45, listed in the table of contents under Other Supplementary Information. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, therefore, I express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 5, 2017, on my consideration of the Village of Grayson's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering Village of Grayson's internal control over financial reporting and compliance.



Jimmie Self, CPA
Monroe, Louisiana
July 5, 2017

Required Supplementary Information
(Part I)

Management's Discussion and Analysis

VILLAGE OF GRAYSON
GRAYSON, LOUISIANA
Management Discussion and Analysis
December 31, 2016

As management of the Village of Grayson we offer readers the Management's Discussion and Analysis (MD&A), a narrative overview and examination of the financial activities for the year then ended. The MD&A is designed to provide an objective and easy to read evaluation of the Village's financial activities based on currently known facts, decisions, and conditions. It is also intended to provide readers with a broad overview of the Village's finances and an analysis of short-term and long-term activities of the Village based on information presented in the financial report and fiscal policies that have been adopted. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the financial activity, identify changes in the Village's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify fund issues or concerns.

As with other sections of the financial report, the information contained within the MD&A should be considered only a part of the greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes (Notes to the Financial Statements), reports, and the other Financial Statements Schedules (Required Supplementary Information) that are provided in addition to this Management Discussion and Analysis.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's financial statements. The basic financial statements consist of the following components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements
4. Other Supplementary Information, which is in addition to the basic financial statements themselves.

1. Government-Wide Financial Statements

Government-Wide Financial Statements are designed by GASB Statement No. 34 to change the way in which government financial statements are presented. It now provides readers for the first time a concise "entity-wide" Statement of Net Assets and Statement of Activities, seeking to give the user of the financial statements a broad overview of the Village's financial position and results of operations in a manner similar to a private-sector business.

- A. The *Statement of Net Assets* presents information on all the Village's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most

private-sector companies. The difference between the assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or weakening.

B. The *Statement of Activities* presents information showing how government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

The government-wide financial statements further assist the reader in their evaluation by distinguishing functions of the Village into:

A. *Governmental activities* that are principally supported by taxes and intergovernmental revenues, and

B. *Business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges.

Financial Analysis of the Town as a Whole

As year to year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Town as a whole. Below is a brief description of the total assets, total liabilities, and net assets showing restricted and unrestricted portions, the program revenues, and the related expenditures and expenses.

	Governmental Activities		Business-type Activities		Totals	
	2015	2016	2015	2016	2015	2016
Current and Other Assets	151,100	197,797	121,307	134,368	272,407	296,502
Capital Assets	796,167	751,341	1,312,708	1,299,419	2,108,875	2,050,760
Total Assets	947,267	949,138	1,434,015	1,433,787	2,381,282	2,347,262
Deferred Outflows	-	28,138	-	16,134		44,272
Long-Term Liabilities	-	69,804	290,954	296,996	290,954	366,800
Other Liabilities	6,489	4,152	126,532	133,549	133,021	137,701
Total Liabilities	6,489	73,956	417,486	430,545	423,975	504,503
Deferred Inflows	-	2,312	-	1,326		3,638
Net Assets:						
Invested in Capital Assets						
net of related debt	796,167	751,341	981,312	1,009,101	1,777,479	1,760,442
Restricted	-	-	54,808	52,611	54,808	52,611
Unrestricted	144,611	149,667	(19,591)	(79,326)	125,020	70,340
Total Net Position	940,778	901,007	1,016,529	982,386	1,957,307	1,883,393

VILLAGE OF GRAYSON

Summary of the Statement of Activities

For the Year Ended December 31, 2016

	2,015	2015		2016	2016	
	Governmental	Business-		Governmental	Business-	
	Activities	Type		Activities	Type	
		Activities	Total		Activities	Total
Charges for Services	12,545	403,516	416,061	2,406	485,857	488,263
Operating Grants & Contributions	2,013	-	2,013	16,174	-	16,174
Property Taxes	22,239	-	22,239	10,811	-	10,811
Franchise License Fees	10,225	-	10,225	8,612	-	8,612
Occupational Licenses	34,736	-	34,736	33,655	-	33,655
Fines	47,818	-	47,818	88,103	-	88,103
Fire Assessment	46,655	-	46,655	48,731	-	48,731
Investment Income	1,626	775	2,401	1,777	584	2,361
Other Miscellaneous Income	4,799	-	4,799	18,670	-	18,670
Transfers-internal activities	14,434	-	-	13,600	-	13,600
Total Revenues	197,090	404,291	601,381	242,539	486,441	728,980
EXPENSES:						
General Administration	197,928		226,910	223,540	-	226,910
Public Works	23,310	-	22,307	12,412	-	12,412
Public Safety	8,508	-	10,959	8,909	-	8,909
Water	-	349,036	326,272	-	335,149	335,149
Sewer	-	129,330	108,699	-	149,856	149,856
Interest Expense	-	3,217	25,820	-	14,106	25,820
Total Expenses	229,746	481,583	720,967	244,861	499,111	720,967
Change in Net Position	(32,446)	(77,323)	(127,044)	(2,322)	(12,670)	(127,044)
Net Position, Beginning	973,225	1,093,852	2,067,077	940,778	1,016,529	2,194,129
Net Position, Ending	940,778	1,016,529	1,957,307	938,456	1,003,859	1,942,315
Recognition net pension liability				-37449	-21473	-58922
Restated Net Position				901,007	982,386	1,883,393

2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like any other state or local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

- A. Governmental funds are used to account for most of the Village's basic services as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Those funds are reported using modified accrual accounting that measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Village's general governmental operations and basic services it provides. Governmental fund information helps you determine whether

there are more or fewer financial resources that can be spent in the near future to finance the Village's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are located on pages 16 and 18.

The Village maintains one individual governmental fund. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund. The basic governmental fund financial statements can be found on pages 12 and 13 of this report

3. Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential for a full understanding of the data provided in the government-wide and financial statements. The notes to the financial statements can be found immediately following the section entitled "Basic Financial Statements."

4. Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found beginning with a section entitled "Required Supplementary Information – Part II."

A. Budgetary Comparison Schedule – The Village adopts an annual appropriated budget for its general fund. A budgetary comparison schedule (Schedule 1 in the Required Supplementary Information Part II section) has been provided for these funds to demonstrate compliance with the adopted budget and state laws.

The Village has prepared its General Fund Budget for the Year 2016 on the assumption that revenues and expenditures will remain fairly constant next year. Revenues and expenditures for the Utility Enterprise Fund should also remain constant during the next year.

B. Analysis of Significant Budget Variances in the General Fund.

Budget Variances – General Fund	2015	2016
Revenues	-2,375 unfavorable	36,109 favorable
Expenditures	6,691 favorable	26,548 favorable

5. Combining Statements for the non-major Governmental Funds – N/A

6. Other Supplementary Schedules are included in this report.

Capital Assets and Debt Administration

1. Capital Assets

The Village's investment in capital assets for current year of December 31, 2016, net of accumulated depreciation in its governmental activities is \$751,341 and in business-type activities is \$1,299,419 which totals \$2,050,760 for the Village. For the prior year ended December 31, 2015, the Village's investment in capital assets, net of accumulated depreciation, in its governmental activities is \$796,167 and in business-type activities is \$1,312,708 which totals \$2,108,875 for the Village. The investment in governmental activities assets includes land, buildings and systems, machinery and equipment, parks and landscaping. The investment in assets for business-type activities includes the water and sewer system and treatment plants. Additions to governmental activities assets within the year, 2016, in the amount of 16,428 included Equipment repairs. Additions to business-type activities assets (water and sewer system) for the year 2016 in the amount of \$94,330 include water line and well repairs.

2. Long-Term Debt

At the end of the current fiscal year ended December 31, 2016, the Village had a revenue bond indebtedness of \$234,682, note payable of 42,212 (both long-term) and current portion of bond and net indebtedness of 33,345 + accrued interest of \$5,964.

At the end of the prior fiscal year ended December 31, 2015, the Village had a revenue bond indebtedness of \$274,200. This indebtedness was undertaken by the Village as Sewer Revenue Bonds in August of 1991 and is scheduled to be paid in full in the year of 2029. The Village also had a Loan balance of \$62,212 in 2015, due to The Community Bank of Louisiana.

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be

addressed to Ellen Scribner, Town Clerk, Village of Grayson, 5228 Hwy 126 E, Grayson,
LA 71435.

Basic Financial Statements

VILLAGE OF GRAYSON, LOUISIANA
STATEMENT OF NET POSITION
December 31, 2015

EXHIBIT A

VILLAGE OF GRAYSON, LOUISIANA
STATEMENT OF NET POSITION
December 31, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Assets:			
Cash and Cash Equivalents	\$ 31,700	\$ 13,599	\$ 45,299
Investments	156,924	-	156,924
Receivables, Net	9,173	32,495	41,668
Restricted Cash	-	52,611	52,611
Capital Assets, Net (See NOTE 3)	751,341	1,299,419	2,050,760
Total Assets:	949,138	1,398,124	2,347,262
 Deferred Outflows	 28,138	 16,134	 44,272
Liabilities:			
Accounts Payable	4,152	18,058	22,210
Customer Deposits	-	75,881	75,881
Accrued Liabilities	-	5,964	5,964
Long-term Liabilities			
Due within one year	-	33,346	33,346
Bonds payable due in more than one year	-	234,982	234,682
Notes Payable due in more than one year	-	22,290	22,290
Net Pension Liability	69,804	40,024	109,829
Total Liabilities	73,956	430,545	504,503
 Pension deferrals	 2,312	 1326	 3,638
Net Position:			
Invested in Capital Assets, Net of Related Debt	751,341	1,009,101	1,760,442
Restricted	-	52,611	52,611
Unrestricted	149,667	(79,326)	70,340
Total Net Position	\$ 901,007	\$ 982,386	\$ 1,883,393

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

EXHIBIT B

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

Fund Financial Statements

VILLAGE OF GRAYSON, LOUISIANA
BALANCE SHEET
Governmental Funds
December 31, 2016

EXHIBIT C

	<u>2,016</u>
	Total Governmental Funds
Assets:	
Cash	\$ 31,700
Investments	156,924
Receivables-(net, where applicable, of allowance for doubtful accounts)	9,173
Total Assets:	<u>\$ 197,797</u>
Liabilities and Fund Balance:	
Liabilities	
Accounts and Other Payables	\$ 4,152
Total Liabilities	<u>4,152</u>
Fund Balances:	
Unassigned	193,645
Total Fund Balance	<u>193,645</u>
Total Liabilities and Fund Balance	<u>\$ 197,797</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

VILLAGE OF GRAYSON, LOUISIANA
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2016

EXHIBIT C-1

Fund Balances - Total Governmental Funds	\$	193,645
------------------------------------------	----	---------

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

Capital assets used in Governmental Activities are not current financial resources, therefore, are not reported in the governmental funds Balance Sheet.

Capital Assets	1,580,727	
Less: Accumulated Depreciation	(829,386)	
	751,341	751,341

Net Pension Liability does not require the use of current financial resources, therefore, is not report in the governmental funds Balance Sheet.

(69,804)

The net effect of deferred outflows of resources and deferred inflows of resources related to pensions do not require the use current financial resources and, therefore, are not reported in governmental fund Balance Sheet.

25,825

Net Position of Governmental Activities (exhibirt A)	\$	901,007
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

VILLAGE OF GRAYSON, LOUISIANA
Statement of Revenues, Expenditures,
and Changes in Fund Balances of
Governmental Funds
For the Year Ended December 31, 2016

EXHIBIT D

	Governmental Funds
Revenues:	
Property Taxes	\$ 10,814
Occupational Licenses	33,655
Franchise Fee	8,612
Fines	88,103
Fire Assessment	48,731
2% Sales tax	11,369
Miscellaneous	5,228
Charges for Services	1,956
Grant Income	16,174
Investment Earnings	1,777
Transfers	13,600
Total Revenues	<u>240,019</u>
Expenditures:	
General Government	164,415
Public Safety	17,290
Public Works	9,280
Total Expenditures	<u>190,985</u>
Excess (Deficiency) of Revenues over Expenditures	49,034
Fund Balance - Beginning of Year	<u>144,611</u>
Fund Balance - End of Year	<u><u>\$ 193,645</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

VILLAGE OF GRAYSON, LOUISIANA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2016

EXHIBIT D-1

Net Change in Fund Balances - Total Governmental Funds \$ (2,322)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Total capital outlays		
Current depreciation	61,252	
See Note 3 - Capital Assets	<u>(16,428)</u>	
Excess of capital outlays over Depreciation Expense	<u>44,824</u>	44,824

Government funds report current year contributions as expenditures. However, in the statement of activities, these contributions are reported as deferred inflow of resources and the Village's proportionate share of the plan's pension expense is reported as expense (9588-985) 8,605

The Village's proportionate share of non-employer contributions to the pension plans do not provide current financial resources and are not reported as revenue in the governmental funds (2,073)

Change in Net Position of Governmental Activities \$ 49,034

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

VILLAGE OF GRAYSON, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2016

EXHIBIT E

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 8,935	\$ 4,664	\$ 13,599
Total Cash	8,935	4,664	13,599
Accounts Receivable, Net	18,662	13,833	32,495
Total Current Assets	27,597	18,497	46,094
Non-Current Assets:	-	52,611	52,611
Restricted Assets: Cash and Cash Equivalents	-	52,611	52,611
Capital Assets:			
Land, Buildings, and Equipment	1,238,532	1,855,319	3,093,851
Accumulated Depreciation	(592,598)	(1,201,834)	(1,794,432)
Total Capital Assets	645,934	653,485	1,299,419
Total Assets	673,531	724,593	1,398,124
Deferred Outflows	7,679	8,455	16,134
Total Deferred :Liabilities	7,679	8,455	16,134
LIABILITIES			
Accounts and Other Payables	11,629	6,729	18,358
Customer Deposits	75,881	-	75,881
Accrued Note/Bond and Interest	901	5,063	5,964
Long-term liabilities			
Due within one year	19,961	13,385	33,346
Due in more than one year	22,290	234,682	256,972
Net Pension Liabilities	19,049	20,975	40,024
Total Liabilities	149,711	280,834	430,545
Deferred Inflows	631	695	1,326
Net Position			
Invested in Capital Assets, Net of Related Debt	603,683	405,418	1,009,101
Restricted	-	52,611	52,611
Unrestricted	(72,816)	(6,510)	(79,326)
Total Net Position	\$ 530,867	\$ 451,519	\$ 982,386

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

VILLAGE OF GRAYSON, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

EXHIBIT F

	BUSINESS-TYPE ACTIVITIES Enterprise Funds		
	Water Fund	Sewer Fund	Totals
OPERATING REVENUES:			
Charges for Services	\$ 282,881	\$ 118,023	\$ 400,904
Other Revenue	-	14,531	14,531
Transfers	282,881	132,554	415,435
OPERATING EXPENSES:			
Bank Charges	95	-	95
Payroll	58,264	27,766	86,030
Pension-Payroll Expense	(269)	(296)	(565)
Cell Phone	714	-	714
Dept of Revenue-Sales tax	79	-	79
Depreciation	42,909	64,709	107,618
Dues and Subscriptions	350	-	350
Fire Assessment	27,283	-	27,283
Fuel	5,567	354	5,921
Insurance	13,550	12,532	26,082
Janitorial Service	1,570	-	1,570
Materials and Supplies-not Pond	-	423	423
Maintenance	2,780	-	2,780
Membership Fees	398	-	398
Repairs	165	1,681	1,846
Miscellaneous	543	368	1,001
Office Expense	7,490	204	7,694
Oxidation Pond	-	9,491	9,491
Materials and Supplies	13,180	-	13,180
Payroll Taxes	7,136	8,086	15,222
Postage & Supplies	2,553	-	2,553
Professional Fees	3,300	8,500	11,800
Retirement Expense	5,303	-	5,303
Pension Expense	2,617	2,881	5,498
SDW Expense	714	-	714
Sewer Revenue Funds	110,001	-	110,001
Transfers	-	9,531	9,531
Telephone Expense	2,391	-	2,391
Utilities	26,466	3,626	30,092
Total Operating Expenses	335,149	149,856	485,005
Operating income(loss expense)	(52,268)	-17,302	(69,570)
Nonoperating revenues (expenses)			
Grant Revenues	-	70,422	70,422
Interest Income	-	\$ 584	584
Interest Expense	(1,034)	(13,072)	(14,106)
Total Non-operating Revenues and Expenses	(1,034)	57,934	56,900
Change in net Position	(53,302)	40,632	(12,670)
Total net position beginning	594,389	422,140	1,016,529
Total net position ending	541,087	462,772	1,003,859
Recognition of net pension liability	(10,220)	(11,253)	(21,473)
Restated net position ending	\$ 530,867	\$ 451,519	\$ 982,386

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF GRAYSON, LOUISIANA
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

EXHIBIT G

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 303,849	\$ 121,940	\$ 425,789
Payments to Suppliers	(247,237)	(63,666)	(310,903)
Payments to Employees	(59,811)	(27,766)	(87,577)
Net Cash Provided (used) by Operating Activities	(3,199)	30,508	27,309
Cash Flows from Noncapital Financing Activities			
Transfers from-to other funds	23,752	14,531	38,283
Cash flows from grants	-	70,422	70,422
Net Cash provided (used) by noncapital financing activities	23,752	84,953	108,705
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets-net	(5,124)	(89,206)	(94,330)
Principal paid on Revenue Bonds	(21,456)	(13,385)	(34,841)
Interest paid on Revenue Bonds	(1,034)	(13,073)	(14,107)
Net Cash Provided (used) by Capital and Related Financing Activities:	(27,614)	(115,664)	(143,278)
Cash Flows from Investing Activities			
Interest on investments	-	584	584
Net Cash Provided (used) by investing activities	-	584	584
Net Increase (Decrease) in Cash and Cash Equivalents	(7,061)	381	(6,680)
Cash and Cash Equivalents - Beginning	15,996	56,894	72,890
Cash and Cash Equivalents - Ending *	\$ 8,935	\$ 57,275	\$ 66,210
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	(53,302)	\$ 40,632	\$ (12,670)
Adjustments to Reconcile Operating Income(Loss) to Net Cash Provided by Operating Activities:			
Depreciation	42,909	64,709	107,618
Principal paid on Bonds/Int	22,490	-	22,490
(Decrease) in Receivables	(20,442)	(4,391)	13,114
Noncapital Financing Activities	(8,345)	(70,442)	(78,787)
Net Cash Provided by Operating operations	(3,199)	\$ 30,508	\$ 51,765

* NOTE: The Statement of Cash Flows consists of both:

	Water Fund	Sewer Fund	Total
Cash	8,935	\$ 4,664	\$ 13,599
Restricted Cash-from Sewer Fund	-	52,611	52,611
TOTAL	8,935	\$ 57,275	\$ 66,210

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

Notes

VILLAGE OF GRAYSON
Grayson, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

VILLAGE OF GRAYSON
Grayson, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

INTRODUCTION 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 Village has a full-time clerk, and 11 other employees

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Adoption of New Financial Accounting Standards

The following Accounting Standards Update (ASU) recently issued and adopted by the GASB impacted the Village of Grayson's financial statements:

In June 2012, the Governmental Accounting Standards Board Statement (GASB) issued GASB No. 68 (GASB 68), Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27 replaces Statement 27 Accounting for Pensions by State and Local Governmental Employers and Statement 50 Pension Disclosures. GASB 68 requires governments providing defined benefit plans to report the net pension liability in their statement of net position. This net pension liability is the difference between the present value of the pension liability and the fair value of pension assets, set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. The financial statements have been adjusted to reflect retroactive application as of July 1, 2014. As such, the impact of the cumulative effect of the change in accounting principle on net position as of July 1, 2014 is a decrease of \$58,921 to reflect beginning net pension liability.

Adoption of New Financial Accounting Standards (Continued)

In November 2013, the Governmental Accounting Standards Board Statement issued GASB No. 71 (GASB 71), Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68, requires that if a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

Additionally, in those circumstances, no beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions should be recognized. At the beginning of the period in which the provisions of Statement 68 are adopted, there may be circumstances in which it is not practical for a government to determine the amounts of all applicable deferred inflows of resources and deferred outflows of resources related to pensions. In such circumstances, the government should recognize a beginning deferred outflow of resources and deferred inflows of resources related to pensions should be recognized. The financial statements have been adjusted to reflect retroactive

VILLAGE OF GRAYSON
Grayson, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

application as of July 1, 2014. As such, the impact of the cumulative effect of the change in accounting principle on net position as of July 1, 2014 is an increase of \$58,921 to reflect beginning deferred pension contributions.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Village's Pension and Relief Fund ("the Fund") and additions to/deductions from the Fund's fiduciary net position have been determined on the same basis as they are reported by the Fund. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

(GASB) Statement No. 14, *The Reporting Entity*, and No. 39, *Determining Whether Certain Organizations are Component Units – an amendment of GASB Statement No. 14* established criteria for determining the government reporting entity and component units that should be included within the reporting entity. Under provisions of these statements, the Village of Grayson is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB Statement 14 and 39, fiscally independent means that the municipality may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt. The Village has no component units.

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report financial information for the Village as a whole excluding fiduciary activities such as employee pension plans. The primary government is presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Village general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Village's services; (2) operating grants and contributions which finance annual operating activities including

VILLAGE OF GRAYSON
Grayson, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

The Village of Grayson uses funds 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.

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:

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Definitions

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus Utilized

On the Government-wide Statement of Net Assets and the Statement of Activities, both governmental and Business-like activities are presented using the economic resources measurement focus as defined in item “b.” below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” is used as appropriate.

a. The governmental fund utilizes a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on the balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. This fund uses fund balance as its measure of available spendable financial resources at the end of the period.

b. The government-wide financial statement utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost of recovery) and financial position. All assets and liabilities (whether current or non-current) associated with its activities are reported. Government-wide fund equity is classified as net assets.

Financial Statements

The financial statements of the Village are prepared in accordance with generally accepted accounting principles (GAAP). The Village’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB

VILLAGE OF GRAYSON
Grayson, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

pronouncements. The Village's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally include the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Village's departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax are levied (5.46 mills) on a calendar year basis, and become due on January 1, of each year. Revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. Governmental fund financial statements reports use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Village considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Pension trust funds recognize employer and participant contributions in the period in which contributions are due and the Village has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Major revenue sources susceptible to accrual include property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as needed.

Total Columns on Combined Statements

Total columns on the combined statements are captioned 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. Inter-fund eliminations have not been made in the aggregation of this data.

E. MAJOR FUNDS

Governmental Funds

The Village reports the following major governmental funds:

General Fund – reports as the primary fund of the Village. This fund is used to account for all financial resources not reported in other funds.

Fire Fund – accounts for operating activities of the fire department

VILLAGE OF GRAYSON
Grayson, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

Proprietary Funds

The Village reports the following enterprise funds:

Water Fund – accounts for the operating activities of the Village’s water utilities services. This is a major fund.

Sewerage Fund – accounts for the operating activities of the Village’s sewer utility services. This is a major fund.

F. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Investments

The Village maintains and controls cash and investments, some of which are restricted. Legal restrictions and the Village’s policies governing deposits and investments are discussed in Note 3.

The Village’s reporting entity considers highly liquid investments (included restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value that is determined using selected bases. Short-term investments are reported at cost that approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash deposits are reported at carrying amount that reasonably estimates fair value. The Village’s interest rate risk is limited by all investments maturing within 12 months of year end.

Capital Assets

Capital Outlays are recorded as expenditures of the General, Special Revenue and Capital Projects Funds and as assets in the government-wide financial statements to the extent the Village’s capitalization threshold is met. Depreciation is recorded on capital assets on a government-wide basis. The Village did not retroactively report infrastructure when GASB 34 was adopted.

Capital outlays for the governmental funds are recorded as capital assets and depreciated over their projected useful lives on a straight-line basis. All donated capital assets are valued at their estimated fair market value on the date donated. All other capital assets are recorded at cost. Projected useful lives are demonstrated in the table below.

PROJECTED USEFUL LIVES OF CAPITAL ASSETS	
Governmental Funds	
Land	Non-Depreciable
Buildings	40 Years
Furniture and Fixtures and Equipment	5 – 10 Years
Canines	5 – 10 Years

Capital outlays for Proprietary Funds are recorded as capital assets and depreciated over their projected useful lives on a straight-line basis and government-wide basis. All donated capital assets are valued at their estimated fair market value on the date donated. All other capital assets are recorded at cost. The following table shows the projected useful lives of certain items utilized by the water and sewer utilities. These estimates demonstrate the period of time over which the item is depreciated. Following is a schedule of projected useful lives.

VILLAGE OF GRAYSON
Grayson, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

PROJECTED USEFUL LIVES OF CAPITAL ASSETS	
Enterprise Fund	
Water Utility	Projected Useful Life
Wells	20 years
Storage tanks	40 years
Purification plant	33 years
Lines and meters	40 years
Sewerage Utility	Projected Useful Life
Pump stations	40 years
Lines	40 years
Autos and trucks	5 years
Other equipment	10 years

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Obligations – Long-Term Debt

In the government-wide financial statements, long-term debt is reported as liabilities in the applicable governmental activities statement of net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenditures, and expenses during the reporting period. Actual results may differ from those estimates.

Equity Classifications

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt, consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets consist of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of governments; or (2) law through constitutional provision or enabling legislation.
- c. Unrestricted net assets consist of all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

VILLAGE OF GRAYSON
Grayson, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

G. REVENUES, EXPENDITURES, AND EXPENSES

Proprietary Funds

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related non-capital financing or investing activities

Ad Valorem Taxes

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 and the year billed. The revenue derived from this tax is not dedicated to any specific purpose.

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

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character
Proprietary Funds – By Operating and Non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

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.

NOTE 2 BUDGETARY INFORMATION

Budget Policy and Practice

The Village Clerk submits an annual budget to the Village council in accordance with applicable statutes and policies. The budget is presented to the Council for review, and public hearings are held to address priorities and the allocation of resources. In December, the Village Council adopts the annual fiscal year budgets for Village operating funds. Once approved, the Village Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Basis of Budgeting

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

VILLAGE OF GRAYSON
Grayson, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

(1) Prior to December 31 of each year, 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.

(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.

Interfund Transactions

During the course of normal operations, the Village has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The governmental funds financial statements generally reflect such transactions as transfers.

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both governmental and proprietary funds. The transfers are made to the applicable fund when that fund's cash flow is too low to meet obligations.

Encumbrance Accounting

Encumbrance accounting is not utilized by the Village.

NOTE 3 ASSETS

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.

At December 31, 2016, the Village had cash totaling \$254,834 as follows:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Demand Deposits-Book Balances	31,700	13,599	45,299
Investments	156,924	-	156,924
Restricted Cash	-	52,611	52,611

VILLAGE OF GRAYSON
Grayson, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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. Cash and investments (Bank Balances) are secured as follows:

	<u>Caldwell Bank</u>	<u>Citizen's Bank</u>	<u>Homeland Bank</u>
Bank Balances	15,510	\$ 133,496	\$ 109,964
Federal Deposit Insurance	250,000	250,000	250,000
Pledged Securities (Market Value)	-	40,452	-
Collateral Sufficient	234,490	\$ 116,584	\$ 140,036

The Village's bank accounts are now sufficiently collateralized, according to the Village's policy of furnishing collateral assurance. The Village has an agreement with their local bank to assure they have sufficient coverage.

Investments are categorized to give an indication of the level of risk assumed by the Village at December 31, 2016. Deposits are considered to be exposed to custodial risk if they are not covered by depository insurance, and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The Village has investments that are covered by \$156,924 by federal depository insurance. The remaining balance is exposed to custodial risk because it is uninsured and collateralized with securities held by the pledging financial institution.

Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement No. 40, 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 bank has failed to pay deposited funds upon demand. Louisiana R.S.39:12224 requires bonds, or other such instruments furnished as security, to be deposited with the depositing authority, or with an unaffiliated bank or trust company, Federal Reserve Bank, or any Federal Home Loan Bank or its successor. This security is deemed to be under the control and in the possession of the public entity and deemed to be held in its name. The Village of Grayson has complied with these requirements of state law. Investments consist of Certificates of Deposit in the governmental activities, with a renewal period of 12 months. The entity does not have a policy for custodial credit risk.

Receivables

The receivables of \$ 41,668 at December 31, 2016 are as follows:

General Fund	9,173
Enterprise Fund	32,495
TOTAL RECEIVABLES	<u><u>\$ 41,668</u></u>

No allowance for doubtful accounts has been established.

Restricted Assets

Certain proprietary fund assets are restricted for construction funded through long-term debt. Net assets restricted for debt service include the excess of assets over certain liabilities restricted for the debt service on revenue bonds. Restricted assets are also reported in various funds for cash deposited in bank accounts legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt or mortgage loans, and certificates of deposit (CD) issued in the Village or trust name and deposited with the Village Treasurer in lieu of project retainages. Proceeds of restricted CD's on deposit with the Village Treasurer are payable as liabilities payable from restricted assets.

Governmental Activities:

12/31/2016

GENERAL FUND

	Beginning Balance	Accumulated Depre- Ciation	Balance Before Current Deprec	Current Depre- Ciation	Total Accum- Ulated Depr	Ending balance
Land-Not Depreciated	13,600		13,600	-	-	13,600
Buildings	147,000	15,233	131,767	3,769	19,002	131,767
Street	155,367	62,380	92,987	13,284	75,664	92,987
Equipment	152,355	152,355	-	-	152,355	-
Vehicles	55,266	55,266	-	-	55,266	-
Furniture & Fixtures	7,500	6,315	1,185	1,185	7,500	-
Totals	531,088	291,549	239,539	18,238	315,220	215,868
Addns:						
Equipment	50,676	26,782	23,894	3,301	30,083	20,593
Road Repairs-Asphalt Recap	48,295	12,732	35,563	2,957	15,689	32,606
Bldg-Water Tower	97,166	76,685	20,481	3,339	80,024	17,142
Addns 2014	6,823	1,364	5,459	682	2,046	4,777
Totals	734,048	409,112	324,936	28,517	438,316	295,736
Addns 2015 equip repr 04/15	3,413	683	3,413	683	683	2,730
	737,461	409,795	327,666	29,200	438,999	298,466
Addns 2016 equip						
03/11/2016 chlorinator	2,200	-	2,200	220	220	1,980
05/31/2016 computer	1,595	-	1,595	319	319	1,276
05/31/2016 water softener	9,152	-	9,152	915	915	8,237
06/03/2016 new floor	3,481	-	3,481	348	345	3,133
	753,889	409,795	344,094	31,002	440,798	313,092
FIRE FUND						
Building	537,827	206,343	331,484	10,756	217,099	320,728
Equipment	184,445	104,459	79,986	9,222	113,681	70,764
Addns 2012	1,381	552	829	276	828	553
Addns 2013	93,405	45,542	47,863	9,341	54,883	38,522
ADDNS 2014	6,713	862	5,851	348	1,210	5,503
DIESEL PMP 0602/15	3,070	583	2,487	307	890	2,180
	826,841	358,341	468,500	30,250	388,591	438,250
addns for 2016	-	-	-	-	-	-
Total Governmental Funds	1,580,730	768,136	812,594	61,252	829,389	751,342

Land is not depreciated.

Depreciation allocated as:	GEN FUND	FIRE FUND	TOTAL
ADM	28,389	23,667	52,056
PUBLIC SAFETY	288	12,458	12,746
PUBLIC WORKS	2,325	1,047	3,372
	31,002	30,250	61,252

SCH OF CAPITAL ASSETS FOR NOTES 2016

VILLAGE OF GRAYSON
Grayson, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

CAPITAL
ASSETS
12-31-2016

	Balance		Before				
	Beginning		Before	Accumulated	Current	Current	
	Balance	ADDNS	Acc Depr	Depreciaton	Depreciation	Deprec	Net
Water System	1,233,406	5,124	1,238,550	549,689	688,841	42,909	645,932
Sewer System	1,766,114	89,206	1,855,320	1,137,125	718,195	64,709	89,206
addn:06/09/16 eq							
Repairs	2,999,520	94,330	3,093,850	1,686,814	1,407,036	101,032	1,299,419

NOTE 4 DEBT

Changes in Long-Term Debt

1. The following is a summary of the Village's long-term debt at December 31, 2016, composed of the following:

		2015	Paid	2015
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%	123,525	6,324	117,201
237,500	1989, due in annual installments of \$13,958, due August 4, 1991-2029, Interest at 5%	137,928	7,061	130,867
		261,452	13,385	248,067
	Less Current Portion	12,748	-13,385	-13,385
	TOTAL LONG-TERM DEBT	248,704	13,385	234,682

The annual requirements to amortize all long-term debt outstanding which began December 31, 1996, are as follows:

VILLAGE OF GRAYSON
Grayson, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

LONG TERM DEBT AMORTIZATION
12/31/2016

Date	Beginning Balance	Principal	Interest	Ending Balance
12/31/2016	254,816	18,227	8,231	236,589
12/31/2017	236,589	19,873	6,560	208,485
12/31/2018	208,485	21,544	4,889	185,270
12/31/2019	185,270	23,215	3,211	158,844
12/31/19-12/31/24	158,844	132,785	1,540	26,609
12-31-24-12/31/29	26,609	50,955	-	-

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

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 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 INSTALLMENTS</u>
08/20/08 – 07/20/09	2204.86

There shall be set aside in a Reserve Fund an amount equal to 5% of the principle 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 payments that should be made to the Reserve Fund:

<u>PERIOD</u>	<u>MONTHLY DEPOSITS</u>
08/20/08 through 07/20/09	\$176.23 per month must be deposited into the fund until \$42,294 has been accumulated.

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

Under the terms of a Loan, which began as an Escrow Account, to the Community Bank of Louisiana, the total outstanding balance @ 12-31-2016 (interest rate of 4% annually), of 60,210, is as follows: The loan matures in 2018.

3.

<u>Date</u>	<u>Principle</u>	<u>Interest</u>	<u>Balance</u>
			60,210
16	17,959	2,488	42,251
2017	22,824	1,688	15,833
2018	15,833	857	0

Short-Term Debt

VILLAGE OF GRAYSON
Grayson, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

Short-term liabilities are paid as they accrue and become payable. They are paid on a monthly basis as approved by the mayor and council for payment.

NOTE 5. PROPERTY TAX REVENUES CORRECT

For the year ended December 31, 2016 taxes of \$10,135 (5.46 mills) were levied on property with assessed valuations totaling \$1,856,194 and were deducted as follows:

General corporate purposes 5.46 mills

NOTE 6. RESTRICTIONS ON USE OF UTILITIES REVENUES

Funds provided by utilities revenue is to be used in the following manner before they are available for other lawful purposes:

1. Operating expense of utility SYSTEM.
2. Revenue bond service funds.
3. Revenue bonds reserve funds.
4. Revenue bond depreciation and contingencies

NOTE 7. PENSION PLAN

Municipal Employees' Retirement System of Louisiana (MERS)

Employees of the Village are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan established in accordance with the provisions of Louisiana Revised Statute 11:1731 to provide retirement, disability and survivor benefits to employees of all incorporated villages, towns and cities throughout the State of Louisiana. MERS is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Village are members of Plan B. The system issues a publicly available financial report that may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Benefits Provided

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Retirement

Any member of Plan B, who was hired before January 1, 2013 can retire providing the member meets one of the following criteria:

- a. Any age with thirty (30) or more years of creditable service.
- b. Age 60 with a minimum of ten (10) years of creditable service.
- c. Any age with ten (10) years of creditable service eligible for disability benefits.
- d. Survivor's benefits require five (5) years creditable service at death of member.

Eligibility for Retirement for Plan B Tier 2 members hired on or after January 1, 2013 is as follows:

- a. Age 67 with seven (7) or more years of creditable service.
- b. Age 62 with ten (10) or more years of creditable service.

VILLAGE OF GRAYSON
Grayson, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

-
- c. Age 55 with thirty (30) or more years of creditable service.
 - d. Any age with twenty-five (25) years of creditable service, exclusive of military service and unused sick leave.

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the member's monthly average final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Deferred Retirement Benefits

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan B who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of MERS has been terminated for at least one full year.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of trustees. If a participant dies during participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in MERS.

Disability Benefits

For Plan B, a member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid disability benefits equal to the lesser of forty-five percent of his final average compensation or three percent of his final average compensation multiplied by his years of creditable service whichever is greater or an amount equal to three percent of the member's final average compensation multiplied by his years of creditable service projected to his earliest normal retirement age.

Survivor's Benefits

Upon death of any member of Plan B with five (5) or more years of creditable service, not eligible for retirement, the plan provides for benefits for the surviving spouse and/or minor children as outlined in the statutes. Any member of Plan B, who is eligible for normal retirement at time of death and who leaves a surviving spouse will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

Permanent Benefit Increases/Cost-of-Living Adjustments

The System is authorized under state law to grant a cost of living increase to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. State law allows the System to grant additional cost of living increases to all retirees and beneficiaries who are age sixty-five and above equal to 2% of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after that date.

VILLAGE OF GRAYSON
Grayson, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

Deferred Benefits

Plan B provides for deferred benefits for members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement; benefits become payable. Benefits are based on statutes in effect at time of withdrawal.

Contributions

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ending June 30, 2017 and for the year ended June 30, 2016, the actual employer contribution rate was 11.00% and 9.50%, respectively, for Plan B. For the year ended June 30, 2016, the actuarially determined employer contribution rate was 11.04% for Plan B. The actuarially determined rate is the rate calculated to provide employer contributions that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. The actual rate differs from the actuarially required rate due to state statutes that require the contribution rate be calculated and set two years prior to the year effective. Contributions to the pension plan from the Village were \$9,055 for the year ended December 31, 2016.

In accordance with state statute, MERS receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from nonemployer contributing entities, but are not considered special funding situations.

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

At December 31, 2016, the Village reported a liability of \$109,829 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Village's proportion was 0.132498%, which was an increase of 0.000772% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Village recognized pension expense of \$23,265 plus the Village's amortization of the difference between employer contributions and proportionate share of contributions of \$(8,179).

At December 31, 2016, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 901	\$ 1,587
Changes in assumptions	5,473	-
Net difference between projected and actual earnings on pension plan investments	26,921	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,583	2,051
Employer contributions subsequent to the measurement date	4,394	-
Total	<u>\$ 44,272</u>	<u>\$ 3,638</u>

Deferred outflows of resources of \$4,394 related to pensions resulting from the Village's contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending December 31, 2017. Other

VILLAGE OF GRAYSON
Grayson, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31:	
2017	\$ 11,997
2018	11,579
2019	8,566
2020	4,098

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2016 are as follows:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Approach	
Actuarial Assumptions:	
Expected Remaining Service Lives	4 years
Investment Rate of Return	7.50% per annum.
Inflation Rate	2.875% per annum.
Salary Increases	5.0%, including inflation and merit increases

Actuarial Assumptions(Continued)

Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.
Mortality	<p>Annuitant and beneficiary mortality - RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA.</p> <p>Employee mortality – RP-2000 Disables Lives Mortality Table set back 2 years for both males and females</p> <p>Disabled lives mortality – RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females.</p>
Termination, Disability, and Retirement	Termination, disability, and retirement assumptions were projected based on a five-year (2010-2014) experience study of the System's

VILLAGE OF GRAYSON
Grayson, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

members.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification.

The target allocation and best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Portfolio Real Rate of Return
Public equity	50.0%	2.6%
Public fixed income	35.0%	1.8%
Alternatives	15.0%	0.8%
Total	100.0%	
Inflation		5.2%
Expected Arithmetic Nominal Return		7.6%

Discount Rate

The discount rate used to measure the total pension liability was 7.5% for the year ended December 31, 2016. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Village's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Village's proportionate share of the Net Pension Liability using the discount rate of 7.50%, as well as what the Village's proportionate share of the Net Pension Liability would be if it were calculated using a

discount rate that is one percentage-point lower (6.50%) or one percentage-point higher (8.50%) than the current rate:

	1.0% Decrease	Current Discount Rate	1.0% Increase
Discount rate	6.50%	7.50%	8.50%
Share of NPL	\$ 142,078	\$ 109,829	\$ 82,314

Support of Non-employer Contributing Entities

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The Village recognizes revenue in an amount equal to their proportionate share of the total contributions to the pension plan from these non-employer contributing entities.

VILLAGE OF GRAYSON
Grayson, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

During the year ended December 31, 2016, the Village recognized revenue as a result of support received from non-employer contributing entities of \$3,262 for its participation in MERS.

Pension Plans Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports for MERS and can be obtained on the pension plan's website or on the Louisiana Legislative Auditor's website: www.la.la.gov.

Payables to the Pension Plan

As of December 31, 2016, the Village had no payables due to MERS. Payables are the Village's legally required contributions to the pension plans.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees retirement System (MERS) of Louisiana and additions to/deductions from MERS net position have been determined on the same basis as they are reported by MERS.

Deferred Outflows/Inflows of Resources

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures/expenses until a future period. In other instances, governments are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures/expenses or revenues, respectively. In this instance, the statement of net position reports a separate section for deferred outflows of resources. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. The Village's deferred outflows and deferred inflows are resources related to pensions.

In the fund financial statements, governmental fund types recognize debt issued reported as other financing sources. Repayment of the principal and interest is shown as an expenditure.

NOTE 8. ACCOUNTS, SALARIES, AND OTHER PAYABLES

Accounts, salaries, and other payables of \$22,510 are as follows:

PAYABLES	
Accounts Payable – General Fund	4,152
Accounts Payable – Enterprise Fund	<u>18,358</u>
TOTAL	<u>\$22,510</u>

NOTE 9. CONTINGENCIES

Litigation

According to the attorney acting on behalf of the Village, there were no pending litigations or claims as of December 31, 2016. There have been no subsequent legal actions to date.

Capital Grant Contingencies: The Village received funds from federal and state governmental agencies in the form of grants, which is subject to audit by the federal or state government. The ultimate determination of amounts received

VILLAGE OF GRAYSON
Grayson, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

under these programs is generally based upon allowable costs reported to and audited by the government. Until such audits have been completed and final settlements reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

NOTE 10. SUBSEQUENT EVENTS

Subsequent events were evaluated by management up to and including the issue date of this report, July 3, 2017. There was a fraud investigation ongoing at the issue date of this report; otherwise at the time of the issue date of this report, there were no other subsequent events noted which would affect the financial statements for the year ended December 31, 2016.

NOTE 11. POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In compliance with GASB 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the Village of Grayson makes no provision for post-retirement health care or life insurance benefits. In compliance with GASB 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the Village of Grayson makes no provision for post-retirement health care or life insurance benefits.

NOTE 12. EMPLOYEE TERMINATION BENEFITS

In compliance with GASB 47 *Accounting Standards for Termination Benefits*, the Village makes no provision for voluntary early retirement benefits or involuntary severance pay benefits.

NOTE 13. SEGMENT INFORMATION

The Village has issued revenue bonds to support a variety of public services. The fund financial statements report major funds with revenue supported debt for the water and sewer funds. Services provided by these funds are described in NOTE 1.E. MAJOR FUNDS - *Proprietary Funds* and also included in the basic financial statements identified as the water and sewer funds.

NOTE 14. RISK MANAGEMENT

The Village is exposed to various risk of loss related to torts: theft of, damage to, and destruction of assets, and injuries to employees. To handle such risk of loss, the Village carries insurance coverage with Travelers's Insurance Companies in Shreveport, LA. The policy covers property, liability, crime and fidelity, employee liability, and others. No claims have been paid on any of the policies during the past three years that exceeds the policies' coverage amounts. There were no significant reductions in insurance coverages during the year ended 12-31-2016.

NOTE 15. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT

The Village adopted Governmental Accounting Standards Board (GASB 68) *Accounting and Financial Reporting for the Employees' Pension Plans*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses. For benefit pensions, this Statement identifies the methods and assumptions that be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The Statement also requires enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. The implementation of GASB 68 had the following effects:

	Governmental Activities	Business-Type Activities	
		Water Fund	Sewer Fund
Net Position, December 31, 2016	938,456	541,087	462,772
Recognition of net pension liability	-37,449	-10,220	-11,253
Restated net position, December 31, 016	901,007	530,867	451,519

Required Supplementary Information
(Part II)

VILLAGE OF GRAYSON, LOUISIANA
Statement of Revenues, Expenditures,
and Changes in Fund Balances of
Governmental Funds
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2016

	Prior Year Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Contributions	1,100	2,935	908	(2,027)
Property Taxes	9,500	9,604	10,814	1,210
Occupational Licenses	29,000	34,736	33,655	(1,081)
Franchise Fee	10,000	9,937	8,612	(1,325)
Fines	49,000	47,817	88,103	40,286
Fire Assessment	43,000	46,655	48,731	2,076
Other Miscellaneous	3,600	3,984	5,227	1,243
Court Fees		288	413	125
Fire Insurance Rebate	9,300	415	-	(415)
Police Jury 2% tax	2,500	12,635	11,369	(1,266)
Reimbursements	2,000	1,062	636	(426)
Grant Income	21,675	17,679	16,173	(1,506)
Investment Earnings	-	1,229	1,778	549
Transfers	19,000	14,934	13,600	(1,334)
Total Revenues	199,675	203,910	240,019	36,109
Expenditures:				
General Government	171,318	197,704	164,415	33,289
Public Safety	24,799	8,762	17,290	(8,528)
Public Works	19,700	11,068	9,280	1,788
Total Expenditures	215,817	217,534	190,985	26,549
Excess (Deficiency) of Revenues over Expenditures	26,083	(13,624)	49,034	(62,658)
Fund Balance - Beginning of Year	76,842	102,925	144,611	41,686
Fund Balance - End of Year	102,925	89,301	193,645	104,344

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

VILLAGE OF GRAYSON
Grayson, Louisiana

Schedule of Proportionate Share of Net Pension Liability
December 31, 2016

	Municipal Employees Retirement System 12/31/2016	
	2,016	2,015
Proportion of the Net Pension Liability	0.13	0.12
Proportionate share of net pension liability	109,829	89,527
Covered-Employee payroll	89,033	60,631
ProportionShare of the Net Pension Liability as a percentage of its covered employee payroll	82%	67%
Plan fiduciary net position as a percentage of the total pension liability	63%	59%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Sch of proportionate share of net pen liability

VILLAGE OF GRAYSON
Grayson, Louisiana

Schedule of Contributions
December 31, 2016

	Municipal Employees Retirement System 12/31/2016	
	2,016	2,015
Contractually Required Contributions	9,251	5,760
Contributions in relation to the contractually required contributions	9,251	5,760
Contribution deficiency (excess)	-	-
Covered employee payroll	89,033	60,631
Contributions as a percentage of covered-employee payroll	9.5	9.5

The amounts presented for each fiscal year were determined as of the end of the prior fiscal year except for covered employee payroll.

sch 3 pension plan contributions

Other Supplementary Information

Schedule of Compensation Paid to the Mayor and Councilmen/Women
For the Year Ended December 31, 2016

\$6,000.00

Salary - \$ 500. per mo.

\$1,339.20

Salary - \$ 111.60 per mo.

\$1,339.20

Salary - \$ 111.60 per mo.

\$1,339.20

(318) 649-2436

\$10,017

Other Reporting
Required By Government Auditing
Standards

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor
And the Board of Directors
Village of Grayson
Grayson, Louisiana

I have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information of the Village of Grayson, Louisiana, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Village of Grayson, Louisiana's basic financial statements and have issued my report thereon dated July 5, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Village of Grayson, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Grayson's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement to the Village of Grayson's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit, I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses that I consider to be significant deficiencies, which is described in the accompanying schedule of findings and responses as items # 2016-01, 2016-02, 2016-03, 2016-4.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Grayson's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an instance of noncompliance or other such matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as items # 2016-1, 2016-2, 2016-3, 2016-4.

Village of Grayson's Response to Findings

Village of Grayson's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. Village of Grayson's response was not subjected to the auditing procedures applied in the audit of the financial statements, accordingly, I express no opinion on it.

Purpose of this report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Jimmie Self, CPA
Monroe, Louisiana
July 5, 2017

SCHEDULE OF FINDINGS AND RESPONSES
Village of Grayson
For the Year Ended December 31, 2016

Finding 2016-1

CONDITION: No segregation of duties – only one clerk.

CRITERIA: Duties should be distributed among employees.

CAUSE OF CONDITION: The staff consists of a small work for handling the duties of the office.

EFFECT OF CONDITION: Proper internal control is weakened by the limited staff

RECOMMENDATION: Hire more employees and redistribute duties.

CLIENT RESPONSE: The System states this cannot be remedied due to lack of funds and such a small entity.

FINANCIAL IMPACT OF FINDING: Finding without cause- resolution of finding is under the control of the agency and would be cost effective.

Finding 2016-2

CONDITION: A few accounts were incorrectly coded – much improved this year.

CRITERIA: Duties are distributed among employees.

CAUSE OF CONDITION: The staff consists of a small workforce for handling the duties of the office, and a new employee was hired in mid-year. This was only human error.

EFFECT OF CONDITION: Proper internal control is weakened by the limited staff.

RECOMMENDATION: Hire more employees and redistribute duties.

CLIENT RESPONSE: The System states this coding error has been located, the employee has been reminded, and this problem was quickly remedied.

FINANCIAL IMPACT OF FINDING: Finding without cause- resolution of finding is under the control of the agency and would be cost effective.

Finding 2016-3

Condition: The Village of Grayson reported a possible theft of the water fund revenues totaling an estimate of \$11,065 for fiscal year 2016, as well as a yet undetermined amount for the fiscal year 2017.

Criteria: The undeposited amounts may represent a violation of Article 7, Section 14 of the state constitution.

Cause: The Village did not have a control to reconcile its water system account postings to daily deposits.

Effect: The Sheriff is investigating, and the assistant town clerk has been placed on administrative leave.

Recommendation: Maybe? The Village should pursue recovery of funds, if appropriate, and has already updated its control procedures and implemented a control to daily reconcile between water account postings and deposits.

See Exhibit #1 for additional current information on pages 54-55.

Finding 2016-4

Louisiana Statute 24-513 requires that the Entity prepare and submit its audit report to the Louisiana Legislative Auditor no later than 6 months after the most recent fiscal year. The Village of Grayson did not timely file its audit report as required. This was not a fault of the Village or the audit firm, as shown in the Criteria below.

CRITERIA: The LARS: 24-513 audit must be submitted within six months after the most recent fiscal year. Due to the fact during the audit, the audit firm and the Town became aware of a suspected fraud occurrence. Due to the extensive checking of this problem along with the Mayor, the audit was unable to be submitted within the prescribed time frame. This was not a fault of the Town or the Audit firm.

CONDITION: The audit was not timely submitted.

CONTEXT: The audit firm, due to extinguishing circumstances as stated above was unable to timely complete the report

EFFECT OF CONDITION: The Audit was untimely filed, according to the requirement of the Statute, causing Village of Grayson to be in violation of the law.

CAUSE OF CONDITION: The audit firm, due to the fact of a suspected fraud occurrence which required additional work, the Village of Grayson was unable submit the audit within the prescribed time period.

RECOMMENDATION: Be more alert to the filing requirements, and make preparations to timely file.

CLIENT RESPONSE: Management maintains they agree to the above recommendation.

CURRENT STATUS: The management of Village of Grayson has increased its policies to no longer accept cash payments, which greatly improves possibility of fraud in the future. The audit report was filed July 5, 2017.

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES For the year ended 12-31-2015

Finding 2015-1

CONDITION: No segregation of duties – only one clerk.

CRITERIA: Duties should be distributed among employees.

CAUSE OF CONDITION: The staff consists of only one clerk.

EFFECT OF CONDITION: Proper internal control is weakened by the limited staff

RECOMMENDATION: Hire more employees and redistribute duties.

CLIENT RESPONSE: The System states this cannot be remedied due to lack of funds and such a small entity

FINANCIAL IMPACT OF FINDING: Finding without cause- resolution of finding is under the control of the agency and would be cost effective.

Finding 2015-2

CONDITION: A few accounts were incorrectly coded.

CRITERIA: Duties are distributed among employees.

CAUSE OF CONDITION: The staff consists of a small work for handling the duties of the office, and a new employee was hired in mid-year. This was only human error.

CLIENT RESPONSE: The System states this coding error has been located, the employee has been reminded, and this problem was quickly remedied.

FINANCIAL IMPACT OF FINDING: Finding without cause- resolution of finding is under the control of the agency and would be cost effective.

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SUMMARY SCHEDULE OF FINDINGS

Village of Grayson.
For the Year Ended December 31, 2016

I have audited the financial statements of Village of Grayson as of and for the year ended December 31, 2016, and have issued my report dated July 5, 2017. 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. My audit of the financial statements as of December 31, 2016 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 ☒ no Internal Control Deficiencies ☒ yes ☐ no

Compliance

Compliance material to Financial Statements ☐ yes ☒ no

b. Federal Awards: None

c. Identification of major Programs:

None.

Village of Grayson
Grayson, Louisiana
12-31-2016

Schedule of Compensation,
Benefits and Other Payments to Agency Head
or Chief Executive Officer

Agency Head Name: Carmen Head

Purpose	Amount
Salary	\$6,000
Benefits-insurance	0
Benefits-retirement	0
Benefits-<list any other here>	0
Car allowance	0
Vehicle provided by government	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouchered expenses*	0
Special meals	0
	0

Carmen Head, Mayor, receives \$6,000 annually. She receives **no** other benefits.

Other board members (3) received \$1,339.20, and **no** other benefits for the year

Ended 12-31-2016.

Finding 2016-3 Continued

#	ELEMENT OF FINDING	RESPONSE
1	A general statement describing the fraud or misappropriation that occurred.	Cash and checks were discovered entered into the new billing system of the water fund and a fairly new employee failed to deposit the funds.
2	A description of the funds or assets that were the subject of the fraud or misappropriation (ex., utility receipts, petty cash, computer equipment).	Water Fund Utility receipts of Cash and Accounts receivable were subject of the fraud.
3	The amount of funds or approximate value of assets involved.	For 2016, the approximate amount of the funds not deposited was \$11,949. At the date of this report, the approximate amount of estimated undeposited funds is \$29,000.
4	The department or office in which the fraud or misappropriation occurred.	Ass't Town Clerk, appointed to this task uses an office with the Town Clerk.
5	The period of time over which the fraud or misappropriation occurred.	09-01-2016 through 06-06-2017
6	The title/agency affiliation of the person who committed or is believed to have committed the act of fraud or misappropriation.	Kay Sikes Davis, Assistant to the Town Clerk.
7	The name of the person who committed or is believed to have committed the act of fraud or misappropriation, if formal charges have been brought against the person and/or the matter has been adjudicated.	Kay Sikes Davis is the person who is believed to have committed the act of fraud or misappropriation. Formal charges have been brought against the person.
8	Is the person who committed or is believed to have committed the act of fraud still employed by the agency?	No. She was on administrative leave from 06-17-2017 until 07/05/2017, at which time she was dismissed.
9	If the person who committed or is believed to have committed the act of fraud is still employed by the agency, do they have access to assets that may be subject to fraud or misappropriation?	No, as shown in # 8 above.
10	Has the agency notified the appropriate law enforcement body about the fraud or misappropriation?	Yes
11	What is the status of the investigation at the date of the auditor's/accountant's report?	The suspect has been arrested.
12	If the investigation is complete and the person believed to have committed the act of fraud or	Charges have been filed, the suspect arrested, an arraignment date is set for 09/19/2017.

	misappropriation has been identified, has the agency filed charges against that person?	
13	What is the status of any related adjudication at the date of the auditor's/accountant's report?	As shown in #12 above, arraignment has been set for 09/19/2017.
14	Has restitution been made or has an insurance claim been filed?	No restitution has been made, but an insurance claim has been filed.
15	Has the agency notified the Louisiana Legislative Auditor and the District Attorney in writing, as required by Louisiana Revised Statute 24:523 (Applicable to local governments only)	Yes, the Louisiana Legislative Auditor has been notified and also the District Attorney has been notified; both were notified in writing.
16	Did the agency's internal controls allow the detection of the fraud or misappropriation in a timely manner?	No, the original control was not inclusive enough to timely detect the fraud.
17	If the answer to the last question is "no," describe the control deficiency/significant deficiency/material weakness that allowed the fraud or misappropriation to occur and not be detected in a timely manner.	The significant deficiency occurred because the Village did not have a control to reconcile its system postings to its daily deposits.
18	Management's plan to ensure that the fraud or misappropriation does not occur in the future	The Village has already updated its control procedures to daily reconcile account postings with deposits. It no longer accepts cash payments