

**GREYSTONE COMMUNITY
DEVELOPMENT DISTRICT**

Annual Financial Statements

As of and for the Fiscal Year Ended, June 30, 2009

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

Release Date 4/21/10

MALCOLM M. DIENES, L.L.C.
LEROY J. CHUSTZ, C.P.A.
Certified Public Accountants



**GREYSTONE COMMUNITY
DEVELOPMENT DISTRICT**

Annual Financial Statements

As of and for the Fiscal Year Ended June 30, 2009

**Greystone Community Development District
Annual Financial Statements
As of and for the Fiscal Year Ended June 30, 2009
With Supplemental Information Schedules**

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MALCOLM M. DIENES, L.L.C.
LEROY J. CHUSTZ, C.P.A.



Certified Public Accountants

Independent Auditor's Report on the Basic Financial Statements

Greystone Community Development District
9314 Greystone Drive
Denham Springs, LA 70726

We have audited the accompanying financial statements of the governmental activities and each major fund of the Greystone Community Development District (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express our opinion on these basic financial statements based on our audit.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2009, and the respective changes in financial position as of and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, on pages 7 through 11, and the budget to actual comparison on page 37 of this report are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Malcom M. Dienes, LLC

Leroy J. Chustz, CPA
Certified Public Accountants
March 29, 2010

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Required Supplemental Information (Part I)
Management's Discussion and Analysis

**Greystone Community Development District
Management's Discussion and Analysis
For the Year Ended June 30, 2009
(UNAUDITED)**

Our discussion and analysis of Greystone Community Development District (the "District") financial performance provides an overview of the District's financial activity for the year period ended June 30, 2009. It should be read in conjunction with the basic financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ending June 30, 2009 include the following:

- The assets of the District exceeded its liabilities at June 30, 2009 by \$3,615,745.96 (net assets). The majority of this amount is related to the redemption of the outstanding bonds.
- The District's total net assets increased from June 30, 2008 to June 30, 2009 by \$9,519,546.42.

OVERVIEW OF THE FINANCIAL STATEMENTS. The MD&A is intended to serve as an introduction to the District's basic financial statements which are the government-wide financial statements, the fund financial statements and the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements are designed by GASB Statement 34 to change the presentation of governmental financial statements. It provides readers with an "entity-wide" Statement of Net Assets and Statement of Activities. This gives the user of the financial statements a board overview of the District's financial position and results of operations in a manner similar to a private sector business.

The Statement of Net Assets presents information on all of the District's assets less liabilities, which results in net assets. The statement is designed to display the financial position of the District. Over time, increases or decreases in net assets helps determine whether financial position is improving or deteriorating.

The Statement of Activities provides information that shows how the District's net assets changed as a result of the year's activities. The statement uses accrual basis of accounting, similar to private-sector businesses. All changes in net assets are reported as soon as the underlying event giving rise to the revenue or expense occurs, regardless of when the cash is received or paid.

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 District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the District are governmental type funds. Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such

information may be useful in evaluating the District's near-term financing requirements. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Thus, the readers may get a better understanding of 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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The District adopted an annual budget for the year ended June 30, 2009 .

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT

STATEMENT OF NET ASSETS

	June 30, 2009	June 30, 2008
Current Assets		
Cash & Cash Equivalents	\$108,820.44	\$3,354,348.63
Investments-Restricted	-	1,218,787.00
Total Current Assets	<u>108,820.44</u>	<u>4,573,135.63</u>
Noncurrent Assets		
Interest Receivable	-	17,553.92
Assessment Receivable	-	12,875,615.36
Plant, Property and Equipment (net)	3,599,297.40	3,370,758.83
Underwriter's Discount	-	379,267.20
Cost of Issuance	-	444,850.23
Total Noncurrent Assets	<u>3,599,297.40</u>	<u>17,088,045.54</u>
Total Assets	<u>3,708,117.84</u>	<u>21,661,181.17</u>
Current Liabilities		
Interest Payable on Bonds	-	215,368.85
Interest Payable on Investments	92,371.88	-
Total Current Liabilities	<u>92,371.88</u>	<u>215,368.85</u>

Noncurrent Liabilities		
Legal Fees Payable	-	13,997.42
Deferred Revenue	-	12,875,615.36
Bonds Payable	-	14,460,000.00
		<hr/>
Total Noncurrent Liabilities	-	27,349,612.78
		<hr/>
Total Liabilities	92,371.88	27,349,612.78
		<hr/>
Net Assets		
Invested in Capital Assets, Net of Related Debt	3,599,297.40	(5,589,303.35)
Restricted for Debt Service	10,145.65	1,733,374.26
Restricted for Capital Projects	6,302.91	-
Unrestricted	-	(2,047,871.37)
		<hr/>
Total Net Assets	\$3,615,745.96	\$(5,903,800.46)
		<hr/>

STATEMENT OF ACTIVITIES

The District provides infrastructure for the District and accounts for the related debt.

Sources of revenue for the District include bond proceeds, earnings on investments and assessments on property. The following condensed Statement of Activities shows the major sources of revenues and expenses.

	2009	2008
Interest Earned	\$ 63,430.06	\$ 367,240.74
Other Assessments	473,240.19	177,200.46
Assessments on Lots	57,384.12	726,327.25
		<hr/>
Total Revenues	594,054.37	1,270,768.45
		<hr/>
Professional Fees	16,502.58	13,997.42
Depreciation	57,440.14	151,228.00
Interest	621,361.68	1,464,469.68
Trustee Fees	14,499.30	5,006.66
Refund to Developer	969.72	-
Bond Discount	-	337,451.00
Cost of Issuance	-	459,524.74
		<hr/>
Total Expenses	710,773.42	2,431,677.50
		<hr/>

Special Items:		
Bond Redemption	9,625,882.57	-
Refund on Cost of Issuance	10,382.90	-
Transfer of Assets to Governmental Entities	-	(6,042,063.00)
Increase (Decrease) in Net Assets	9,519,546.42	(7,202,972.05)
Net Assets, Beginning of Year	(5,903,800.46)	(1,440,039.32)
Net Assets Prior Period Adjustment	-	2,739,210.91
Net Assets, End of Year	<u>\$ 3,615,745.96</u>	<u>\$ (5,903,800.46)</u>

Revenue

Interest and dividend earnings on investments decreased by \$303,810.68. This is due to fact that the bond redemption caused the investment in the guaranteed investment agreement to terminate. The increase of other assessments were due to the increase in interest payable on the bonds. Assessments on lot sales decreased due to the decline in the real estate market and the redemption of the bonds..

Expenses

Depreciation expense was \$93,787.86 less in 2009 than in 2008 because 2008 was an eighteen month period and also due to the transfer of assets to governmental entities. Interest on bonds decreased due to the bond redemption. Bond discount and bond issuance cost decreased due to the redemption of the bonds.

Bond Redemption

In April 2009, the District redeemed all of its outstanding bonds. This removed all the assessments receivable and all the debt obligations of the District.

Budgetary Highlights

The District adopted a budget for the year ended June 30, 2009. The actual revenues were \$529,687.69 lower than budgeted due to the effects of the bond redemption on the interest investment and the required assessment on the developer. Actual expenditures exceeded budgeted expenditures by \$2,302,478.01 mainly due to the redemption of the bond issues.

Capital Assets

The District's investment in capital assets, net of depreciation was 3,599,297.40 at June 30, 2009 and \$3,370,758.83 at June 30, 2008. This increase is due to the acquisition of infrastructure.

Long Term Debt

In 2005, the District issued \$12,180,000.00 Series 2005 Special Assessment Bonds to fund the construction, installation and acquisition of master infrastructure improvements within the District. On April 30, 2009 all these bonds were redeemed. In the fiscal year 2008, the District issued Series 2007 bonds, however, these bonds were redeemed during the year ended June 30, 2008. In the fiscal 2008, the District issued Series 2008 bonds in the amount of \$5,205,000.00. On April 30, 2009 all of the Series 2008 bonds were redeemed. The interest expense on the bonds was \$621,361.68 during the year ended June 30, 2009.

CURRENT AND EXPECTED CONDITIONS

Presently, the Greystone Community Development District's Supervisors are not aware of any significant changes in conditions that would have a significant effect on the financial position or results of activities of the District in the near future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Greystone Community Development District at 9314 Greystone Drive, Denham Springs, LA 70726.

Basic Financial Statements
Government-Wide Financial Statements

Greystone Community Development District
Statement of Net Assets
June 30, 2009

Statement A

ASSETS		
<i>Current Assets</i>		
Cash & Cash Equivalents - Restricted	\$	108,820.44
Investments - Restricted		<u>-</u>
Total Current Assets		<u>108,820.44</u>
<i>Noncurrent Assets</i>		
Interest Receivable		-
Assessments Receivable		-
Plant, Property and Equipment (Net)		3,599,297.40
Underwriter's Discount		-
Cost of Issuance		<u>-</u>
Total Noncurrent Assets		<u>3,599,297.40</u>
Total Assets		<u>3,708,117.84</u>
LIABILITIES		
<i>Current Liabilities</i>		
Interest Payable on Bonds		-
Interest Payable on Investments		<u>92,371.88</u>
Total Current Assets		<u>92,371.88</u>
<i>Noncurrent Liabilities</i>		
Legal Fees Payable		-
Deferred Revenue		-
Bonds Payable		<u>-</u>
Total Noncurrent Liabilities		<u>-</u>
Total Liabilities		<u>92,371.88</u>
NET ASSETS		
<i>Net Assets</i>		
Invested in Capital Assets, Net of Related Debt		3,599,297.40
Restricted for Debt Service		10,145.65
Restricted for Capital Projects		6,302.91
Unrestricted		<u>-</u>
Total Net Assets		<u>\$ 3,615,745.96</u>

The accompanying notes are an integral part of these financial statements.

Greystone Community Development District
Statement of Activities
For the Year Ended June 30, 2009

Statement B

	<u>Expenses</u>	<u>Program Revenues Operating Grants</u>	<u>Net Revenue (Expense) and Changes in Net Assets Governmental Activities</u>
<i>Expenses</i>			
Governmental Activities -			
Bond Interest	\$ 621,361.68	\$ -	\$ 621,361.68
Professional Fees	16,502.58	-	16,502.58
Trustee Fees	14,499.30	-	14,499.30
Depreciation Expense	57,440.14	-	57,440.14
Refund to Developer	969.72	-	969.72
Bond Discount	-	-	-
Bond Issuance	-	-	-
Total Expenses	\$ 710,773.42	\$ -	\$ 710,773.42
<i>General Revenues</i>			
Interest & Dividends			\$ 63,430.06
Other Assessments			473,240.19
Assessments on Lots			57,384.12
Total General Revenues			594,054.37
<i>Special Item:</i>			
Bond Redemption (See Note 8)			9,625,882.57
Refund on Cost of Issuance			10,382.90
Increase in Net Assets			9,519,546.42
Net Assets, Beginning of the Year			(5,903,800.46)
Net Assets, End of Year			\$ 3,615,745.96

The accompanying notes are an integral part of these financial statements.

Basic Financial Statements
Governmental Funds Financial Statements

**Greystone Community Development District
Balance Sheet
Governmental Funds
June 30, 2009**

Statement C

	Capital Projects	Debt Service	Total Governmental Funds
Assets			
Cash & Cash Equivalents - Restricted	\$ 6,302.91	\$ 102,517.53	\$ 108,820.44
Total Assets	6,302.91	102,517.53	108,820.44
Liabilities & Fund Balance			
Liabilities:			
Accrued Liabilities	-	92,371.88	92,371.88
Total Liabilities	-	92,371.88	92,371.88
Fund Balance:			
Restricted for Debt Service	-	10,145.65	10,145.65
Restricted for Capital Projects	6,302.91	-	6,302.91
Unreserved	-	-	-
Total Fund Balance	6,302.91	10,145.65	16,448.56
Total Liabilities & Fund Balance	\$ 6,302.91	\$ 102,517.53	\$ 108,820.44

The accompanying notes are an integral part of these financial statements.

Greystone Community Development District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2009

Statement D

Total Fund Balances, Governmental Funds **\$ 16,448.56**

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Governmental Capital Assets, Net of Accumulated Depreciation 3,599,297.40

Unamortized debt issue costs which are recorded as current expenditures in governmental activities -

Unamortized bond discount costs which are recorded as current expenditures in governmental activities -

Accrued bond interest not recorded in governmental activities -

Interest receivable not recorded in governmental activities -

Attorney fees not recorded in governmental activities -

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Bonds Payable -

Compensated Absences -

Net Assets, Governmental Activities **\$ 3,615,745.96**

The accompanying notes are integral part of these financial statements.

Greystone Community Development District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

Statement E

	<u>Capital Projects Fund</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues			
Interest Earned	\$ 75,371.42	\$ 5,612.56	\$ 80,983.98
Refund of Cost of Issuance	-	10,382.90	10,382.90
Other Assessments	-	473,240.19	473,240.19
Assessments on Lots	-	57,384.12	57,384.12
Total Revenues	<u>75,371.42</u>	<u>546,619.77</u>	<u>621,991.19</u>
Expenditures			
<i>Current Expenditures:</i>			
<i>Capital Outlay:</i>			
Capital Outlay	285,978.71	-	285,978.71
<i>Debt Service:</i>			
Principal	-	-	-
Interest	-	836,730.53	836,730.53
Trustee Fees	-	14,499.30	14,499.30
Legal Fees	-	30,500.00	30,500.00
Refund to Developer	-	969.72	969.72
Total Expenditures	<u>285,978.71</u>	<u>882,699.55</u>	<u>1,168,678.26</u>
Excess Revenues over Expenditures	<u>(210,607.29)</u>	<u>(336,079.78)</u>	<u>(546,687.07)</u>
Other Financing Sources			
Transfers In	-	2,243,696.65	2,243,696.65
Transfers Out	(2,243,696.65)	-	(2,243,696.65)
Bond Redemption	-	(4,010,000.00)	(4,010,000.00)
Bond Proceeds	-	-	-
Net Change in Fund Balance	<u>(2,454,303.94)</u>	<u>(2,102,383.13)</u>	<u>(4,556,687.07)</u>
Fund Balance, Beginning of Year	<u>2,460,606.85</u>	<u>2,112,528.78</u>	<u>4,573,135.63</u>
Fund Balance, End of Year	<u>\$ 6,302.91</u>	<u>\$ 10,145.65</u>	<u>\$ 16,448.56</u>

The accompanying notes are an integral part of these financial statements.

Greystone Community Development District
Reconciliation of the Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2009

Statement F

Total Net Change in Fund Balances, Governmental Funds **\$ (4,556,687.07)**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. These differences consist of:

Capital Outlay	285,978.71
Depreciation Expense	(57,440.14)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term debt in the statement of net assets

Proceeds from Long Term Debt	-
Bond Redemption	9,625,882.57
Principal Payment on Bonds	4,010,000.00
Bond Discount	-
Bond Issuance Cost	-

Some revenue reported in the statement of activities does not provide current financial resources and therefore is not reported as revenue in governmental funds. These differences consist of:

Interest Receivable	(17,553.92)
---------------------	-------------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These differences consist of:

Accrued Interest	215,368.85
Transfer of Assets	-
Legal Fees	13,997.42

Change in Net Assets, Governmental Activities **\$ 9,519,546.42**

Basic Financial Statements
Notes to the Financial Statements

Greystone Community Development District
Notes to the Financial Statements
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

“Community Development District” or “District” means a special district as provided in Article VI, Section 19 of the Constitution of Louisiana, which is created pursuant to this Chapter and limited to the performance of those specialized functions authorized by this chapter, the boundaries of which are contained wholly within a single parish; the governing head of which is a body created, organized and constituted and authorized to function specifically as prescribed in this Chapter for the delivery of community development services; and the formation, powers, governing body, operation, duration, accountability, requirements for disclosure and termination of which are as required by general law.

A. Reporting Entity

Greystone Community Development District (the “District”), Parish of Livingston, State of Louisiana’s a public corporation and community development district organized and existing under the provisions of Chapter 27-B of Title 33 of the Louisiana Statutes of 1950, as amended, specifically La. RS. 33:9039.11 through 9039.37, inclusive (the “Act”), and pursuant to L.P. Ordinance 05-15 duly adopted by the Council Members of the Livingston Parish Council (primary government), State of Louisiana, effective on July 8, 2005 (the “Ordinance”) also pursuant to a supplemental ordinance, L.P. Ordinance 07-49, effective September 7, 2007, modifying and expanding the boundaries that comprise the District and includes all of the immovable property situated within the described boundaries.

The District is an entity administered by a Board of Supervisors (“Board”) that acts as the authoritative and legislative body of the entity. The Board is comprised of five board members. Of the five, two are elected as officers of the District; Chair and Secretary. Each Officer serves a term of four years.

The Board of Supervisors appoints the Chairman of the Board from existing board members. The Chair’s responsibilities are to preside at all meetings of the Board; be the chief officer of the District; perform all duties commonly incident to the position of presiding officer of a Board, commission or business organization and exercise supervision over the business of the District, its officers and employees.

Members of the Board shall be known as supervisors and, upon entering into office shall take an oath of office. They shall hold office for the term for which they were elected or appointed and until their successors are chosen and qualified. If, during the term of office, a vacancy occurs, the remaining members of the board shall fill the vacancy by an appointment for the remainder of the unexpired term.

A majority of the members of the Board constitutes a quorum for the purposes of conducting its business and exercising its powers and for all other purposes. Actions taken by the District shall be upon the vote of a majority of the members present unless general law or a rule of the district requires a greater number.

Greystone Community Development District
Notes to Financial Statements (continued)
June 30, 2009

Pursuant to the provisions of the Act, the District is authorized to finance, fund, plan, establish, acquire, construct or reconstruct, enlarge, extend, equip, operate and maintain systems, facilities and basic infrastructure for the following: 1) water management and control for the lands on the District, including the connection of some or any of such facilities with road and bridges; 2) water supply, sewer and wastewater management, reclamation and refuse, or any combination thereof; 3) bridges or culverts that may be needed across any drain, ditch, canal, floodway, holding basin, excavation, public highway, tract, grade, fill or cut and roadways over levees and embankments; and 4) roads and streets in the District.

The District is authorized by the Act to levy and collect non-ad valorem special assessments against all immovable property situated in the District that is subject to assessment as a result of the projects to finance, fund, plan, establish, acquire, construct or reconstruct, enlarge, extend, equip, operate and maintain systems, facilities and basic infrastructure for the District. The Board of the District shall exercise the powers granted to the District pursuant to this Chapter. The Board shall consist of five members, except as otherwise provided in the Act, and each member shall hold office for a term of four years and until a successor is chosen and qualifies. The initial members of the board shall be residents of the state, and at least one of the initial members shall be a resident of the area immediately adjacent to the District. Commencing six years after the initial appointment of members, the positions of each member whose term has expired shall be filled by a qualified elector of the District, elected by the qualified electors of the district in accordance with Title 18 of the Louisiana Revised Statutes of 1950. However, in Districts consisting of a population of less than six hundred persons, the governing authority of the parish, or municipality that created the district, shall appoint members of the board.

The accompanying general purpose financial statements comply with the provisions of GASB Statement No. 14 "The Financial Reporting Entity," in that the financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and, whether: 1) the District has the ability to impose its will over the organization or 2) the potential that the organization will provide a financial benefit to, or impose a financial burden, on the District. Using these criteria, the District has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statements of changes in net assets) report information on all of the nonfiduciary activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are

Greystone Community Development District
Notes to Financial Statements (continued)
June 30, 2009

clearly identifiable with a specific function or segment. *Program revenues* include: 1) changes to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *basis of accounting*. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty-one days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Grants and entitlements and interest associated with the current fiscal period are all considered being susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The District has two governmental funds.

The District reports the following governmental funds:

Debt Service Fund - The Debt Service Fund accounts for the accumulation of financial resources for payment of interest and principal on the debt of the District.

Capital Projects Fund - The Capital Projects Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Revenues and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty-one days of fiscal year-end. Under the modified accrual basis, only interest is considered to be both measurable and available at fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving value in return, includes grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include: 1) timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; 2) matching requirements, in which the District must provide local resources to be used for a specific purpose; and 3) expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Expenses/Expenditures

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

D. Cash and Cash Equivalents

The entity's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash received by the District is deposited into demand deposits and daily investment accounts. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as "Investments." For presentation in the financial statements, investments in the Money Market Accounts are considered to be cash equivalents.

E. Restricted Assets

Restricted assets are cash, cash equivalents and investments whose use is limited by legal requirements. Restricted cash, cash equivalents and investments represent amounts required by debt covenant to be segregated for final year debt payment and accrued interest on the bonds. Restricted cash, cash equivalents and investments also represent special assessment proceeds restricted for completion of the District's infrastructure projects. The Trustee, pursuant to the Master Indenture Agreement, has established accounts for the following purposes:

Greystone Community Development District
Notes to Financial Statements (continued)
June 30, 2009

- a) *Interest Funds* - An account used to transfer funds to pay interest payments.
- b) *Principal Funds* - An account used to transfer funds to pay principal payments.
- c) *Debt Service Reserve Fund* - An account funded from bond proceeds used to replenish the interest and principal accounts in case of deficiency or to pay debt service if no other money is lawfully available (i.e. insurance proceeds).
- d) *Acquisition and Construction Fund* - An account to which bond proceeds are deposited. Payments are to be made for any unpaid issuance cost and cost of planning, financing, acquisition, construction, reconstruction, equipping and installation of the applicable Project. Before any disbursements are made from this fund, the Issuer must file with the Trustee a fully executed requisition.
- e) *Capitalized Interest Fund* - An account used to fund bond interest during the construction period.
- f) *Revenue Fund* - An account to which special assessments are deposited. These special assessments are not the prepayments which are deposited into the Prepayment Account.
- g) *Prepayment Fund* - An account in which prepaid assessments are deposited.
- h) *Rebate Fund* - An account used to make all rebate payments to the United States of America pursuant to the Arbitrage Rebate Covenants.
- i) *Bond Redemption Fund* - An account into which all funds from special assessments and acquisition and construction monies are deposited.
- j) *Administration Account* - An account in which 1% of the prepaid assessments are deposited and used to fund annual and ongoing expenses associated with the bond issue.

Each bond issue has the following accounts, set up by the Trustee, and the amounts in these accounts are restricted to the use as the account dictates.

Greystone Community Development District
Notes to Financial Statements (continued)
June 30, 2009

June 30, 2009 Balances

2005 Issue

Bond Redemption	\$4,459.22
Principal Fund	-
Debt Service Reserve Fund	2,000.15
Acquisition and Construction Fund	1.93
Principal Prepayment Fund	2.88
Total 2006 Bond Issue	<u>\$6,464.18</u>

June 30, 2009 Balances

2007 Issue

Acquisition and Construction Fund	\$2,174.84
Capitalized Interest Fund	123.02
Total 2006 Bond Issue	<u>\$2,297.86</u>

June 30, 2009 Balances

2008 Issue

Bond Redemption	\$93,867.20
Debt Service Reserve Fund	2,046.71
Acquisition and Construction Fund	4,126.14
Capitalized Interest Fund	18.35
Total 2006 Bond Issue	<u>\$100,058.40</u>

Reserve Requirement

Bond Issue	Date	Requirement	Amount
2005 (Redeemed)	06/30/2009	\$ -	\$ 2,000.15
2007 (Redeemed)	06/30/2009	\$ -	\$ -
2008 (Redeemed)	06/30/2009	\$ -	\$ 2,046.71

F. Interfund Transaction

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

G. Capital Assets

General capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated</u>
Land, Right of Ways, Lakes and Roads and Streets	N/A 40
Drainage	25
Landscaping	25
Utility Plants & Systems	25
Entrance	25

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

I. Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

J. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

K. Assessment Methodology

The District uses an Assessment Methodology Consultant, District Manager Inc., to determine and establish the special assessment that will be levied against all assessable

Greystone Community Development District
Notes to Financial Statements (continued)
June 30, 2009

property in the District. The Consultant determines that the assessments will be an amount sufficient to provide for the cost of the infrastructure and common improvements, capitalized and accrued interest, on-going district management, legal counsel, and issuance cost on the Bonds issued to finance the infrastructure and common improvements. All assessable property in the Development will benefit in the same manner from the use of the infrastructure and common improvements. All assessable property will be assessed utilizing the same method.

The benefitted assessment cost allocation is derived by calculating the value of infrastructure improvements throughout the Development, based upon estimated value of lots, for all assessable properties in the District and applying a factor weighted to each lot's estimated value in an amount sufficient to cover the cost of financing the infrastructure and common area, publicly owned improvements.

The methodology used to establish and determine the benefit special assessments, which will pay the cost of the Project has been presented to and approved by the Board of Supervisors of the District and is set forth in the Allocation of Infrastructure Cost & Assessment Methodology Report prepared by District Manager Inc.

L. Prepaid Items

Prepaid items reflect items that have been paid that benefit future periods.

M. Special Bond Provisions

The Series 2005, 2007 and 2008 bonds are limited obligations of the District payable solely from and secured by the pledge and assignment of and lien upon the pledged revenues pursuant to the indenture and neither the property, the full faith and credit, nor the taxing power of the District, the Parish, the State of Louisiana, or any political subdivision thereof, is pledged as security for the payment of the Bonds, except that the District is obligated under the indenture and the Act to levy and to evidence and certify, or cause to be certified, for collection, special assessments to secure and pay the Bonds. The Bonds do not constitute an indebtedness of the District, the Parish, the State of Louisiana, or any political subdivision thereof within the meaning of any constitutional or statutory provision or limitation.

The Series 2005, 2007 and 2008 Bonds authorized under the indenture and the obligation evidenced thereby shall not constitute a lien upon any property of the District, including, without limitation, the project, or any portion thereof, in respect of which such Bonds are being issued, or any part thereof, but shall constitute a lien only on the pledged revenues as set forth in the indenture. Nothing in the Bonds authorized under the indentures or in the indentures shall be construed as obligating the District to pay the Bonds, the redemption price thereof, or the interest thereon except from the pledged revenues, or as pledging the faith and credit of the District, the Parish or the State of Louisiana, or any political subdivision thereof, or as obligating the District, the Parish or the State of Louisiana, or any of its political subdivisions, directly or indirectly or contingently, to levy (except for the special assessments levied by the District) or to pledge any form of taxation.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a state agency, the District is subject to various state laws and regulations. The District complies with all state laws and regulations requiring the use of separate funds.

3. CASH AND INVESTMENTS

The District is authorized to make direct investments in United States government bonds, treasury notes, treasury bills or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, any other federally insured investment, guaranteed investment contracts issued by a financial institution having one of the two highest rating categories, in mutual or trust fund institutions which are registered with the SEC and which have underlying investments consisting solely of and limited to securities of government or its agencies.

In 2005, J.P. Morgan Trust Company, National Association, as the District's Trustee, entered into a guaranteed investment contract with Pallas Capital Corporation (Provider) to invest certain moneys held by the Trustee per the Indenture Agreement. The investments are recorded at cost.

The guaranteed investment contract with the Provider was for an initial deposit of \$5,337,535.00 from the funds on deposit in the Series 2005 Acquisition and Construction Account and the Series 2005 Capitalized Interest Subaccount (the "Project Funds") and \$1,218,787.00 from funds on deposit in the Series 2005 Debt Service Reserve Account (the "Initial Debt Service Funds") with a 3.35% rate of earnings per annum on the Project Funds and 4.25% rate of earning per annum on the Debt Service Reserve Funds. This agreement matured on August 31, 2007, with respect to the Project Funds and matures on August 31, 2010, with respect to the Debt Service Reserve Fund.

The permitted securities are: a) direct obligations of the United States of America and securities fully and unconditionally guaranteed by the United States of America maintained at 104% of market value; b) Government National Mortgage Association (GNMA) securities including participation certificates issued by GNMA at maintained 104% of market value; c) Federal National Mortgage Association (FNMA) securities including participation certificates issued by FNMA maintained at 105% of market value; d) Federal Home Loan Mortgage Corporation (FHLMC) securities at 105% of market value, and, e) Federal Home Loan Bank (FHLB) securities maintained at 105% of market value.

This agreement terminates at the first occurrence of: a) the respective Funds Maturity Date; b) the date of any termination pursuant to events of default per the agreement; c) the date of any termination pursuant to a rating downgrade; or, d) such date that all Securities have been repurchased.

On April 30, 2009, the District redeemed the series 2005 and series 2008 bonds. This redemption caused the termination of the investment agreement. The funds in the Debt Service Reserve Fund were used to pay debt service on the bond issue.

Custodial risk is the risk that, in the event of failure by the party holding the investment in their name, the District will not be able to recover the value of its investments in the possession of the

Greystone Community Development District
Notes to Financial Statements (continued)
June 30, 2009

defunct party. Credit concentration risk is the risk that, due to the lack of diversification in the District's investment portfolio, the District's custodial risk is completely reliant on a single institution's performance. Interest rate risk is the risk that the interest rate may change due to market or other influences significantly enough to lessen the value of the District's investment.

The District's investments are categorized below to give an indication of the level of risk assumed by the District at year end. Category 1 provides for investments insured or registered, or securities held by the District or its agents in the District's name. Category 2 provides for uninsured and unregistered securities held by the counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered securities held by the counter party or by its trust department or agent, but not in the District's name.

Type of Investments	Total Bank Balance	Custody Credit Risk Category			Not Required To Be Collateralized	Total Carrying Value
		1	2	3		
Trust Accounts	\$108,820.44	-	-	-	\$108,820.44	\$108,820.44
Total	\$108,820.44	-	-	-	\$108,820.44	\$108,820.44

4. BENEFIT AND MAINTENANCE SPECIAL ASSESSMENTS

Levy of Maintenance Special Assessment

There was no maintenance special assessment levied in fiscal year 2009.

Levy of Benefit Special Assessments

The District's Special Assessments are a type of non-ad valorem benefit special assessments which are levied against District Lands based upon the special benefit to accrue to such District Lands as a result of the implementation of the Projects. Non-ad valorem assessments are not based upon millage and can become a lien against homestead property as permitted under the provisions of the Act.

Pursuant to the provisions of the Act, particularly Section 9039.29 (A), the Board determined, ordered, and levied the annual installment for year 2005 regarding the Special Benefit Assessments on all specially benefitted immovable property in the District, all as specified on the Assessment Schedule. The Board shall determine, order and levy the annual installment of the total benefit special assessments for bonds issued and related expenses to finance district facilities and projects which are levied under state law. These assessments may be due and collected during each year that parish taxes are due and collected, in which case such annual installment and levy shall be evidenced and certified to the Assessor by the Board not later than August 31st of each year, and such assessment shall be entered by the Assessor on the parish tax rolls, and shall be collected and enforced by the tax collector in the same manner and at the same time as parish taxes, and the proceeds thereof shall be paid to the District. The District Board has opted to collect its own assessments and does not utilize the Parish Assessor nor tax collector. At the time of an initial sale of a lot or parcel of ground in the District, the Developer will cause to be prepaid the full amount of the Special Assessments set forth in the Assessment

Greystone Community Development District
Notes to Financial Statements (continued)
June 30, 2009

Methodology Report. Such prepayment shall reflect the full assessment owed with respect to such lots for a portion of the principal on the Bonds, and upon such prepayment, the lot shall be released from any further lien of the Indenture relating to the Bonds.

Not later than thirty (30) days prior to each interest payment on the Bonds, the District shall levy a periodic special benefit assessment on all assessable property (other than lots which have been released due to prepayments) sufficient to pay interest due on such interest payment date. If the Board of Supervisors and the District Manager make a determination as of May 1 of each calendar year, in any year that the amount on deposit in the Debt Service Fund created by the Indenture is insufficient to pay debt service on the bonds on the next succeeding interest payment date, then the Board of Supervisors shall levy an annual special benefit assessment on all platted and un-platted assessable property within the District (other than lots which have been released by virtue of prepayments) in order to satisfy the debt service requirements for such particular year.

Special Benefit Assessments were levied in the amount of \$473,240.19. This was used to pay interest on the Series 2005 bond issue.

Special Assessments prepayments totaled \$57,384.12 in the current period.

See Note 5 for discussion of current year assessment activity.

Enforcement of Lien Nonpayment

Collection of the Special Assessment levied under this Ordinance will be enforceable in the manner provided by law, particularly the provisions of Sections 9039.29 and 9039.30 of the Act. Special Assessments constitute a lien on the property against which assessed until paid and shall be on parity with the lien of state, parish, municipal and school board taxes a lien in favor of the district arising under RS 33:9039.30 may be enforced by the district in a court of competent jurisdiction as provided by law. Such proceedings may be brought at any time after the expiration.

5. ASSESSMENTS RECEIVABLE

The assessments levied for the 2005 Bonds were \$10,962,000.00. This represents the bond par value of \$12,180,000.00 less the amount for the debt service reserve of \$1,218,000.00. The assessment levied for the 2007 bond issue were \$14,257,655.00. This represents the bond par value of \$15,685,000.00 less the amount for the debt service reserve of \$1,568,500.00 plus an administrative fee of \$141,155.00. These assessments were paid off by the issuance of the 2008 bonds and the related bond redemption. The assessments levied for the 2008 bond issue were \$4,795,391.00. This represents the bond par value of \$5,205,000.00 less the amount for debt service reserve of \$458,206.26 plus and an administrative fee of \$48,597.26. This assessment was removed with the redemption of the Series 2008 Bonds during the current fiscal year.

Greystone Community Development District
Notes to Financial Statements (continued)
June 30, 2009

The amount in assessments receivable at June 30, 2009 is as follows:

	<u>Series 2005</u>	<u>Series 2008</u>
Balance at June 30, 2008	\$ 8,080,224.36	\$ 4,795,391.00
Assessments Paid	(57,384.12)	-
Assessments Redeemed	<u>(8,022,840.24)</u>	<u>(4,795,391.00)</u>
Balance at June 30, 2009	<u>\$ -</u>	<u>\$ -</u>

6. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>Balance 6/30/2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/09</u>
Capital Assets Not Being Depreciated:				
Land for Infrastructure	<u>\$ 2,119,521.07</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,119,521.07</u>
Total Capital Assets Not Being Depreciated	<u>2,119,521.07</u>	<u>-</u>	<u>-</u>	<u>2,119,521.07</u>
Capital Assets Being Depreciated:				
Entrance	694,597.03	16,202.96	-	710,799.99
Sewer System	9,275.50	-	-	9,275.50
Landscaping & Design	626,063.37	39,294.78	-	665,358.15
Crossing at Walden Pond	2,178.64	230,480.97	-	232,659.61
Streets	25,928.38	-	-	25,928.38
Water	<u>2,610.20</u>	<u>-</u>	<u>-</u>	<u>2,610.20</u>
Total Capital Assets Being Depreciated	<u>1,360,653.12</u>	<u>285,978.71</u>	<u>-</u>	<u>1,646,631.83</u>
Less: Accumulated Depreciation For:				
Entrance	(58,657.81)	(28,388.63)	-	(87,046.44)
Sewer System	-	(368.50)	-	(368.50)
Landscaping & Design	(50,757.55)	(22,142.54)	-	(72,900.09)
Crossing at Walden Pond	-	(5,792.58)	-	(5,792.58)
Streets	-	(643.91)	-	(643.91)
Water	<u>-</u>	<u>(103.98)</u>	<u>-</u>	<u>(103.98)</u>
Total Accumulated Depreciation	<u>\$(109,415.36)</u>	<u>(57,440.14)</u>	<u>-</u>	<u>(166,855.50)</u>
Capital Assets Being Depreciated, Net	<u>1,251,237.76</u>	<u>228,538.57</u>	<u>-</u>	<u>1,479,776.33</u>
Total Capital Assets, Net	<u>\$3,370,758.83</u>	<u>\$228,538.57</u>	<u>\$ -</u>	<u>\$3,599,297.40</u>

Greystone Community Development District
Notes to Financial Statements (continued)
June 30, 2009

7. BOND ISSUE AND BOND DISCOUNT COSTS

Bond issuance and discount cost are amortized over the life of the bonds using the straight-line method. The balance related to unamortized bond issuance and discount costs was removed with the bond redemption as follows:

	Cost of Issuance		
	Bond Series		
	2005	2008	Total
Balance at June 30, 2008	\$ 278,845.83	\$ 166,004.40	\$ 444,850.23
Less: Bond Redemption	(278,845.83)	(166,004.40)	(444,850.23)
Balance at June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Bond Discount		
	Bond Series		
	2005	2008	Total
Balance at June 30, 2008	\$197,925.00	\$181,342.20	\$379,267.20
Less: Bond Redemption	(197,925.00)	(181,342.20)	(379,267.20)
Balance at June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

8. LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during the period consist of:

	Bond Series 2006			Principal Outstanding 06/30/2009
	Principal Outstanding 06/30/2008	Additions	Reductions	
2005 Bond Issue	\$9,255,000.00	\$ -	(\$9,255,000.00)	\$ -
2006 Bond Issue	\$5,205,000.00	-	(\$5,205,000.00)	-
Total	<u>\$14,460,000.00</u>	<u>\$ -</u>	<u>(\$14,460,000.00)</u>	<u>\$ -</u>

The Board of Supervisors duly adopted on July 8, 2005 (the "Initial Resolution") authorizing the issuance of not exceeding \$15,000,000 aggregate principal amount of its Greystone Community Development District Special Assessment Bonds, Series (To Be Designated), in one or more series, on one or more issuance dates (collectively, the "Bonds"), in order to pay all or a portion of the design, acquisition and construction costs of certain

Greystone Community Development District
Notes to Financial Statements (continued)
June 30, 2009

infrastructure improvements from time to time constructed, established, or installed in the District, for the District which Bonds will be issued pursuant to the Act and a Master Trust Indenture dated September 1, 2005, entered into between the District and JP Morgan as Trustee.

The Master Trust Indenture dated September 1, 2005, included provisions for the issuance of the Special Assessment Bonds, Series 2005, in the aggregate principal amount not to exceed \$25,000,000.00. The First Supplemental Trust Indenture dated September 1, 2005, included provisions for the issuance of Special Assessment Bonds, Series 2005 in the aggregate principal amount of \$12,180,000.00. The Master Trust Indenture was amended on December 1, 2007, ("Master Trust Indenture") to increase the aggregate principal amount of the Bonds which can be issued under the Indenture from \$25,000,000.00 to \$35,000,000.00. The Second Supplemental Trust Indenture dated December 1, 2007, included provisions for the issuance of the Special Assessment Bonds, Series 2007, in the aggregate principal amount of \$15,685,000.00. The Third Supplemental Trust Indenture dated June 1, 2008, included provisions for the issuance of the Special Assessment Bonds, Series 2008 in the aggregate principal amount of \$5,205,000.00.

The Second Supplemental Trust Indenture provided that the Developer was obligated to purchase a certain tract of land within the District Lands (the "Jenkins Tract") on or before February 1, 2008, and in the event the Jenkins Tract was not acquired on or before February 1, 2008, the Series 2007, Bonds ("Prior Bonds"), would be subject to extraordinary mandatory redemption prior to maturity, subject to receipt by the Issuer of written directions from the majority of the owners of the Prior Bonds to redeem the Prior Bonds. The Developer did not acquire the Jenkins tract on or before February 1, 2008, and, as a result thereof, pursuant to a Letter of Direction dated April 28, 2008, executed by the Developer and the owner of the Prior Bonds, the Trustee effectuated a partial redemption of \$14,125,000.00 in aggregate principal amount of the Prior Bonds, and, as a result, \$1,560,000.00 Prior Bonds remained outstanding. Pursuant to the provisions of the Refunding Act and the Third Supplemental Trust Indenture, a portion of the Series 2008 Bonds were used to refund \$1,560,000.00 of the Prior Bonds. As a result, the 2007 Bonds are no longer outstanding.

On April 30, 2009, the District, pursuant to Amendment Number 1 to the Third Supplemental Trust Indenture, redeemed the Series 2008 Bonds. Also on this date, the District, pursuant to Amendment Number 1 to the First Supplemental Agreement redeemed the 2005 Series Bonds. The Bonds were redeemed at a price below par value and concurrently, the Developer transferred certain property owned by the Developer to the Bond holders as other valuable consideration for the Bond redemption. The redemption price was an amount equal to the amount on deposit in all the respective funds and accounts held by the Trustee pursuant to the Bond Indenture plus other valuable consideration less (i) accrued interest on the Bonds to the date of redemption, and (ii) the costs of the satisfaction specified in the Amendments. Accordingly, the District paid \$4,010,000.00 for redemption of the Bonds, resulting in a \$9,625,882.57 gain on the redemption. These amendments fully redeemed and satisfied all the Bonds and related debt.

9. CONSTRUCTION COMMITMENTS

The District has no outstanding contracts for professional or contract services, as of June 30, 2009.

Greystone Community Development District
Notes to Financial Statements (continued)
June 30, 2009

10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, damage to, and theft or destruction, of assets, errors and omissions and natural disasters. The District maintains insurance to mitigate the risks.

11. RELATED PARTIES

Certain Board members are employed by the Developer of the District.

12. CONTINGENCIES

As of June 30, 2009, according to legal counsel, the District did not have any pending litigation or potential nondisclosed liabilities that management believes would have a material effect on the financial statements.

13. PER DIEM PAID TO BOARD MEMBERS

Board Members of the Greystone Community Development District did not receive any per diem payments during the fiscal year .

14. FIDELITY BOND COVERAGE

Section 9.23 of the Master Trust Indenture requires that every officer, agent or employee of the District, having custody or control of any revenues pledged pursuant to the Master Trust Indenture, be bonded by a responsible corporate surety in an amount not less than the greatest amount reasonably anticipated to be within the custody or control of such officer, agent or employee at one time. Upon advice of legal counsel, the Board adopted resolution 2008-3 on February 26, 2008, finding and determining that none of the District's officers, employees or agents have custody or control of any revenues pledged pursuant to the Master Trust Indenture and further finding and determining that it is unnecessary for the District to obtain fidelity bond coverage specified in Section 9.23 of the Master Trust Indenture on any of the current employees, officers or agents (other than the Trustee).

15. CHANGE IN FISCAL YEAR

Pursuant to resolution 2008-05, adopted April 24, 2008, the District changed its fiscal year from December 31 to June 30 effective June 30, 2008.

Required Supplemental Information (Part II)

Greystone Community Development District
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

Schedule 1

	Budgeted Amounts		Actual Amounts: GAAP Basis	Variance with Final Budget: Favorable (Unfavorable)
	Original	Final		
Revenues				
Interest	\$ 57,642.63	\$ 57,642.63	\$ 80,983.98	\$ 23,341.35
Refund of Cost of Issuance	-	-	10,382.90	10,382.90
Assessments on Lots	535,000.00	535,000.00	57,384.12	(477,615.88)
Other Assessments	559,036.25	559,036.25	473,240.19	(85,796.06)
Total Revenues	<u>1,151,678.88</u>	<u>1,151,678.88</u>	<u>621,991.19</u>	<u>(529,687.69)</u>
Expenditures				
Refund to Developer	-	-	969.72	(969.72)
Trustee Fees	10,000.00	10,000.00	14,499.30	(4,499.30)
Legal Fees	-	-	30,500.00	(30,500.00)
<i>Capital Outlay:</i>				
Capital Outlay	1,782,164.00	1,782,164.00	285,978.71	1,496,185.29
<i>Debt Service:</i>				
Principal	535,000.00	535,000.00	4,010,000.00	(3,475,000.00)
Interest	549,036.25	549,036.25	836,730.53	(287,694.28)
Total Expenditures	<u>2,876,200.25</u>	<u>2,876,200.25</u>	<u>5,178,678.26</u>	<u>(2,302,478.01)</u>
Excess Revenues over Expenditures	<u>\$ (1,724,521.37)</u>	<u>\$ (1,724,521.37)</u>	<u>\$ (4,556,687.07)</u>	<u>\$ (2,832,165.70)</u>
Net Change in Fund Balance	(1,724,521.37)	(1,724,521.37)	(4,556,687.07)	
Fund Balance, Beginning of Year	<u>6,039,145.09</u>	<u>6,039,145.09</u>	<u>4,573,135.63</u>	
Fund Balance, End of Year	<u>\$ 4,314,623.72</u>	<u>\$ 4,314,623.72</u>	<u>\$ 16,448.56</u>	

The accompanying notes are an integral part of these financial statements.

Greystone Community Development District
Notes to the Budget
June 30, 2009

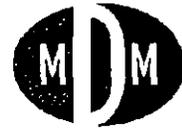
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Master Trust Indenture between the District and Regions Bank, Baton Rouge Louisiana, Section 9.18, requires the District to adopt a budget as required by applicable law. The Trust Indenture further requires that "On or before the first day of each Fiscal Year the Issuer shall adopt a final Annual Budget with respect to each Project for such Fiscal Year for the payment of anticipated operating and maintenance expense and shall supply a copy of such budget promptly upon the approval thereof to the Trustee and to any Bondholders who shall have so requested in writing and shall have filed their names and addresses with the Secretary of the Board for such purpose."

The District adopted a budget on June 26, 2008.

The budget statement includes both the general and debt service fund transactions.

MALCOLM M. DIENES, L.L.C.
LEROY J. CHUSTZ, C.P.A.



Certified Public Accountants

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

Greystone Community Development District
9214 Greystone Drive
Denham Springs, LA 70726

We have audited the financial statements of the governmental activities and each major fund of the Greystone Community Development District as of and for the year ended June 30, 2009, which collectively comprise the Greystone Community Development District's basic financial statements and have issued our report thereon dated March 29, 2010, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Greystone Community Development District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Greystone Community Development District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Greystone Community Development District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements, that is more than inconsequential, will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance

As part of obtaining reasonable assurance about whether the Greystone Community Development District's, financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that is required to be reported under *Government Auditing Standards* which is reported on the accompanying schedule of findings and questioned costs as item 2009-1 and 2009-2.

This report is intended solely for the information and use of management, Greystone Community Development District's Board of Directors, others within the entity, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Malcom M. Dienes, LLC

Leroy J. Chustz, CPA
Certified Public Accountants
March 29, 2010

**Greystone Community Development District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

We have audited the basic financial statements of the Greystone Community Development District as of and for the year ended June 30, 2009, and have issued our report thereon dated March 29, 2010. We have conducted our 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. Our audit of the financial statements as of June 30, 2009, resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

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

Internal Control

Material Weaknesses Yes No Significant Deficiencies Yes No

Compliance

Compliance Material to Financial Statements Yes No

2009-1 Timely Issuance of Audit

The audit for the year ended June 30, 2009, should have been completed and issued by December 31, 2009. The audit was issued subsequent to the deadline. The District should complete and issue the audit within statutory requirements.

Management's Response: Management intends to review the requirements and comply in the future.

2009-2 Adoption of Compliance Questionnaire

The Louisiana Governmental Audit and Accounting Guide requires that all entities subject to the audit requirements of LRS 24:513 must prepare and adopt a prescribed compliance questionnaire. The Greystone Community Development District Board did not complete nor adopt the required questionnaire.

Management's Response: Management intends to prepare and adopt the prescribed compliance questionnaire in the future.

B. Federal Awards Not Applicable

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Type of Opinion On Compliance
For Major Programs

Unqualified Qualified
Disclaimer Adverse

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

Yes No

Was a management letter issued? Yes No

C. Identification of Major Programs:

CFDA Number(s)

Name of Federal Program (or Cluster)

Dollar threshold used to distinguish between Type A and Type B Programs: \$ _____

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133? Yes No

Section II Financial Statement Findings

No Section II Findings.

Section III Federal Award Findings and Questioned Costs

No Section III Findings.

**Greystone Community Development District
Status of Prior Year Findings and Questioned Costs
For The Year Ended June 30, 2009**

Section I Internal Control and Compliance Material to the Financial Statements

2008-1 Timely Issuance of Audit

The audit of the year ended June 30, 2008, should have been completed and issued by December 31 2008. The audit was issued subsequent to the deadline. The District should complete and issue the audit within statutory requirements.

Current Year Status: Finding repeated for year ending June 30, 2009. See finding 2009-1.

Section II Internal Control and Compliance Material to Federal Awards

No Section II Findings.

Section III Management Letter

No Section III Findings.

MALCOLM M. DIENES, L.L.C.
LERROY J. CHUSTZ, C.P.A.

— Certified Public Accountants



To the Board of Supervisors of
Greystone Community Development District

We have audited the financial statements of the governmental activities and each major fund of Greystone Community Development District for the year ended June 30, 2009, and have issued our report thereon dated March 29, 2010. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated October 26, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As a part of our audit, we considered the internal control of Greystone Community Development District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As a part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Greystone Community Development District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our responsibility for other information in documents containing the entity's financial statements and report does not extend beyond the financial information identified in the report. We do not have an obligation to perform any procedures to corroborate other information contained in these documents, such as management's discussion and analysis and supplementary budgetary statements.

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Planned Scope and Timing of the Audit

We have performed the audit according to the planned scope and timing previously communicated to you in our Entrance Memorandum about planning matters on December 18, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Greystone Community Development District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation expense and useful life of capital assets is based on policy guidelines. We evaluated the key factors and assumptions used to develop the capital asset policy in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of Assessment Methodology in Note 1 to the financial statements.

The disclosure of Benefit and Maintenance Special Assessments in Note 4 to the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. One adjustment was identified in the course of our audit that was not recorded as of June 30, 2009.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 29, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" in certain situations. If a consultation involves application of an accounting principle to the government unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the government unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the members of the Board of Greystone Community Development District and its management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Malcom M. Dienes, LLC

Leroy J. Chustz, CPA
Certified Public Accountants
March 29, 2010