

VILLAGE OF DRY PRONG, LOUISIANA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2004

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.

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ROZIER, HARRINGTON & MCKAY

CERTIFIED PUBLIC ACCOUNTANTS

1407 PETERMAN DRIVE • ALEXANDRIA, LOUISIANA 71301

JOHN S. ROZIER, IV, CPA
M. DALE HARRINGTON, CPA
MARK S. MCKAY, CPA
LEE W. WILLIS, CPA
STEVEN E. KIMBALL, CPA

MAILING ADDRESS
POST OFFICE BOX 12178
ALEXANDRIA, LOUISIANA 71315-2178
TELEPHONE (318) 442-1608
TELECOPIER (318) 487-2027

August 6, 2004

Independent Auditors' Report

To the Mayor and Board of Aldermen
Village of Dry Prong, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Dry Prong, as of and for the year ended June 30, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Village of Dry Prong's management. Our responsibility is to express an 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 basic 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 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 of the Village of Dry Prong, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information listed in the accompanying table of contents are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding

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the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Dry Prong's basic financial statements. The Sewer Fund Comparative Financial Statements and Schedule of Per Diem Paid to Board Members are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Sewer Fund Comparative Financial Statements and Schedule of Per Diem Paid to Board Members have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respected in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 6, 2004, on our consideration of Dry Prong'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.



ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

VILLAGE OF DRY PRONG

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

This section of Village of Dry Prong's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended June 30, 2004.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements include government-wide financial statements and fund financial statements. These two types of financial statements present the Village's financial position and results of operations from differing perspectives which are described as follows:

Government –Wide Financial Statements

The government-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the Village's assets (including infrastructure acquired after July 1, 2001) and all of the Village's liabilities (including long-term debt).

The government-wide financial statements are divided into two categories, which are described as follows:

- **Governmental Activities** – Expenses incurred in connection with providing basic services including police protection, fire protection, culture, recreation, public works and general administration are reported as governmental activities. The governmental activities are financed by taxes, license fees, fines, court cost, interest, grants and contributions.
- **Business-Type Activities** – Expenses associated with providing water and sewer services are recovered through fees paid by the customers that utilize these services. These activities are operated in a manner similar to commercial enterprises. Accordingly, activities associated with water and sewer services are reported as business type activities.

Fund Financial Statements

Fund financial statements provide detailed information regarding the Village's most significant activities and are not intended to provide information for the Village as a whole. Funds are accounting devices that are used to account for specific sources of funds. The Village has two types of funds that are described as follows:

- **Governmental Funds** – These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental funds use a modified accrual basis of accounting that provides a short-term view of the Village's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.
- **Proprietary Fund** – These funds are used to account for activities that function in a manner similar to commercial enterprises, including activities associated with the Village's

VILLAGE OF DRY PRONG

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

water and sewer services. Proprietary fund financial statements typically provide a more detail presentation of the information reported in the business-type activities portion of the government-wide financial statements.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

A comparative analysis of government-wide data is presented as follows:

Net Assets

A condensed version of the government-wide Statement of Net Assets is presented as follows:

	<u>June 30, 2004</u>			<u>June 30,</u>
	<u>Governmental</u>	<u>Business-</u>	<u>Total</u>	<u>2003</u>
	<u>Activities</u>	<u>Type</u>		
		<u>Activities</u>		
<u>Assets:</u>				
Current and Other Assets	\$ 69,000	\$ 228,420	\$ 297,420	\$ 165,007
Internal Balances	180,321	(180,321)	---	---
Capital Assets	195,376	2,390,473	2,585,849	2,008,290
Total Assets	<u>444,697</u>	<u>2,438,572</u>	<u>2,883,269</u>	<u>2,173,297</u>
<u>Liabilities:</u>				
Current and Other Liabilities	8,676	166,616	175,292	36,923
Long-term Liabilities	---	193,374	193,374	199,989
Total Liabilities	<u>8,676</u>	<u>359,990</u>	<u>368,666</u>	<u>236,912</u>
<u>Net Assets:</u>				
Invested in Capital Assets (Net)	195,376	2,190,484	2,385,860	1,802,001
Restricted	---	36,814	36,814	34,584
Unrestricted	240,645	(148,716)	91,929	99,800
Total Net Assets	<u>\$ 436,021</u>	<u>\$ 2,078,582</u>	<u>\$ 2,514,603</u>	<u>\$ 1,936,385</u>

As the presentation appearing above demonstrates, the largest portion of the Village's net assets (94.9%) are invested in capital assets. Net assets invested in capital assets consist of land, buildings, and equipment less any debt used to acquire the assets that remains outstanding. In addition, net assets invested in capital assets also includes any infrastructure acquired after July 1, 2001. The Village uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

An additional portion of the net assets (1.5%) represent resources that are subject to restrictions that are imposed by agreements with the Village's bondholders. The remaining unrestricted net assets (3.6%) may be used to meet the Village's ongoing obligations to citizens and creditors.

VILLAGE OF DRY PRONG

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

Changes in Net Assets

A condensed version of the government-wide Statement of Changes in Net Assets is presented as follows:

	For the Year Ended June 30, 2004			For the
	Govern- mental Activities	Business- Type Activities	Total	Year Ended June 30, 2003
<u>Revenues:</u>				
Program Revenue:				
Charges for Services	\$ 71,710	\$ 112,093	\$ 183,803	\$ 219,762
Operating Grants and Contributions	---	---	---	---
Capital Grants and Contributions	---	667,499	667,499	89,054
General Revenue:				
Property Taxes	8,238	---	8,238	8,397
Franchise Taxes	16,195	---	16,195	17,676
Occupational Licenses	31,527	---	31,527	29,603
Miscellaneous	15,433	833	16,266	5,252
Total Revenue	143,103	780,425	923,528	369,744
<u>Program Expenses:</u>				
General Government	95,007	---	95,007	86,521
Public Safety				
Police Department	47,470	---	47,470	53,923
Fire Department	4,653	---	4,653	1,527
Water	---	91,339	91,339	82,479
Sewer	---	106,841	106,841	97,524
Total Expenses	147,130	198,180	345,310	321,974
Change in Net Assets	(4,027)	582,245	578,218	47,770
Net Assets Beginning	440,048	1,496,337	1,936,385	1,888,615
Net Assets Ending	\$ 436,021	\$ 2,078,582	\$ 2,514,603	\$ 1,936,385

Governmental activities decreased the Village's net assets by \$4,027. Depreciation on assets acquired with grant funds in previous years contributed to the decrease in net assets.

Business-type activities increased the Village's net assets by \$582,245. The increase is attributable to capital grants and contributions totaling \$667,499. In addition, expenses considered in arriving at the decrease in net assets included depreciation in the amount of \$81,995. Since the Village has been successful in securing grant funds to improve and replace components of its utility system, it is not considered necessary to recover depreciation through operations. Changes in net assets excluding capital grants, contributions and depreciation for the water and sewer systems are presented as follows:

VILLAGE OF DRY PRONG

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

	<u>Water</u>	<u>Sewer</u>	<u>Current Total</u>	<u>Prior Total</u>
Change in Net Assets	\$ 601,110	\$ (18,865)	\$ 582,245	\$ (89,570)
Capital Grants and Contributions	(631,114)	(36,385)	(667,499)	---
Depreciation	35,728	46,267	81,995	79,093
Change in Net Assets Excluding Capital Grants, Contributions and Depreciation	<u>\$ 5,724</u>	<u>\$ (8,983)</u>	<u>\$ (3,259)</u>	<u>\$ (10,477)</u>

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

For the year ended June 30, 2004, activity in governmental funds was limited to the general. The only differences between amounts reported by the general fund and governmental activities reported in the government-wide financial statements are attributable to including fixed assets in the government-wide presentation.

Amounts reported for business-type activities in the Village's individual funds are identical to the business-type activities reported in the government-wide presentation.

GENERAL FUND BUDGET HIGHLIGHTS

The general fund is the only fund required by law to adopt a budget. A summary of the general fund budget compared to actual amounts is presented as follows:

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Total Revenues	\$ 163,000	\$ 138,000	\$ 143,104	\$ 5,104
Total Expenditures	163,000	138,000	138,206	(206)
Excess (deficiency) of revenues over expenditures	----	----	4,898	4,898
Operating Transfers Out	----	----	----	----
Net Change in Fund Balances	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 4,898</u>	<u>\$ 4,898</u>

The original budget adopted prior to the beginning of the fiscal year was amended to reflect a shortfall in anticipated revenue from fines and court cost. Accordingly, revenue and related expenditures were decreased by \$25,000.

CAPITAL ASSET ADMINISTRATION

Grant funds have been utilized extensively for capital asset acquisition. Acquisitions utilizing grant funds are described as follows:

VILLAGE OF DRY PRONG

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

- A recreational walking trail was constructed using grant funds provided by the Rapides Foundation.
- Phase I of water system extensions along Willett Loop were completed by the Grant Parish Police Jury.
- A sewer lift station was improved using funds provided the State through capital outlay and the rural development program.
- Construction has began on Phase II of the Willett Loop extension using a \$500,000 grant provided by the United States Department of Agriculture.

Capital asset activity for the year ended June 30, 2004 is summarized as follows:

	Governmental Activities	Business- Type Activities	Total
Additions:			
Recreational Walking Trail	\$ 9,939	\$ —	\$ 9,939
Willett Loop – Phase I	---	234,465	234,465
Lift Station Improvements	---	37,365	37,365
Willett Loop – Phase II Construction in Process	---	396,648	396,648
Total Additions	9,939	668,478	678,417
Depreciation	(18,863)	(81,995)	(100,858)
Net Increase (Decrease)	(8,924)	586,483	577,559
Beginning Capital Asset (Net)	204,300	1,803,990	2,008,290
Ending Capital Assets (Net)	<u>\$ 195,376</u>	<u>\$ 2,390,473</u>	<u>\$ 2,585,849</u>

DEBT ADMINISTRATION

For the year ended June 30, 2004, the Village did not incur any additional debt. Furthermore, existing debt was limited to revenue bonds that were issued in connection with the construction of the sewer system. At year end revenue bonds payable totaled \$199,989. Principal payments totaled \$6,300, which represents 3.1% of the outstanding balance.

FACTORS EXPECTED TO EFFECT FUTURE OPERATIONS

In the near future, management expects to complete Phase II of the Willett Loop water distribution extension. Completion of the extension will result in adding additional customers to the utility system.

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STATEMENT OF NET ASSETS

June 30, 2004

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 64,749	\$ 38,873	\$ 103,622
Restricted cash and cash equivalents	-	175,946	175,946
Receivables (net)	-	11,016	11,016
Other assets	4,251	2,585	6,836
Internal balances	180,321	(180,321)	-
Land	10,243	41,369	51,612
Depreciable capital assets, net	185,133	2,349,104	2,534,237
Total assets	444,697	2,438,572	2,883,269
<u>LIABILITIES</u>			
Accounts payable	8,676	144	8,820
Meter deposits	-	20,726	20,726
Liabilities payable from restricted assets			
Accrued interest payable	-	5,000	5,000
Deferred grant revenue	-	103,352	103,352
Construction accounts payable	-	30,779	30,779
Long-term debt			
Due within one year	-	6,615	6,615
Due in more than one year	-	193,374	193,374
Total liabilities	8,676	359,990	368,666
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	195,376	2,190,484	2,385,860
Restricted for debt service	-	36,814	36,814
Unrestricted	240,645	(148,716)	91,929
Total net assets (deficit)	\$ 436,021	\$ 2,078,582	\$ 2,514,603

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

VILLAGE OF DRY PRONG

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
<u>Governmental Activities:</u>						
General Government	\$ 95,007	\$ -	\$ -	\$ (95,007)	\$ -	\$ (95,007)
Public Safety						
Law Enforcement	50,653	71,710	-	21,057	-	21,057
Fire Protection	1,470	-	-	(1,470)	-	(1,470)
Total Governmental Activities	<u>147,130</u>	<u>71,710</u>	<u>-</u>	<u>(75,420)</u>	<u>-</u>	<u>(75,420)</u>
<u>Business-Type Activities:</u>						
Water	91,339	60,902	631,114	-	600,677	600,677
Sewer	106,841	51,191	36,385	-	(19,265)	(19,265)
Total Business-Type Activities	<u>198,180</u>	<u>112,093</u>	<u>667,499</u>	<u>-</u>	<u>581,412</u>	<u>581,412</u>
Total Primary Government	<u>\$ 345,310</u>	<u>\$ 183,803</u>	<u>\$ 667,499</u>	<u>(75,420)</u>	<u>581,412</u>	<u>505,992</u>
<u>General Revenues:</u>						
Taxes:						
Ad Valorem				8,238	-	8,238
Franchise				16,195	-	16,195
Occupational Licenses				31,527	-	31,527
Miscellaneous				15,433	833	16,266
Total General Revenues				<u>71,393</u>	<u>833</u>	<u>72,226</u>
Change in Net Assets				(4,027)	582,245	578,218
Net Assets Beginning				440,048	1,496,337	1,936,385
Net Assets Ending				<u>\$ 436,021</u>	<u>\$ 2,078,582</u>	<u>\$ 2,514,603</u>

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

VILLAGE OF DRY PRONG

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 64,749	\$ -	\$ 64,749
Other assets	4,252	-	4,252
Due from other funds	180,321	-	180,321
Total assets	\$ 249,322	\$ -	\$ 249,322
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 8,676	\$ -	\$ 8,676
Total liabilities	8,676	-	8,676
Fund Balance			
Unreserved	240,646	-	240,646
Total Fund Balances	240,646	-	240,646
Total Liabilities and Fund Balance	\$ 249,322	\$ -	\$ 249,322

Reconciliation of the Governmental Funds Balance Sheets to the Statement of Net Assets

Total Fund Balances - Governmental Funds	\$ 240,646
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.	195,375
Net Assets of Governmental Activities	<u>\$ 436,021</u>

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

VILLAGE OF DRY PRONG

Statement of Revenue, Expenditures and Changes in Fund Balance Governmental Funds

Year Ended June 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Taxes:			
Ad valorem	\$ 8,238	\$ -	\$ 8,238
Franchise	16,195	-	16,195
Occupational licenses	31,527	-	31,527
Intergovernmental	3,373	-	3,373
Fines and Court Cost	71,710	-	71,710
Miscellaneous	12,061	-	12,061
Total revenues	143,104	-	143,104
<u>Expenditures:</u>			
Current			
General government	82,267	-	82,267
Public Safety			
Law Enforcement	46,000	-	46,000
Fire Protection	-	-	-
Capital Outlay	9,939	-	9,939
Total expenditures	138,206	-	138,197
Excess (deficiency) of revenues over expenditures	4,898	-	4,907
Other sources (uses)			
Operating transfers in (out)	-	-	-
Net Change in Fund Balances	4,898	-	4,898
Fund balance - beginning of year	235,748	-	235,748
Fund balance - end of year	\$ 240,646	\$ -	\$ 240,646

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Net change in fund balances of Governmental Funds	\$ 4,898
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 estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period	(8,925)
Change in net assets of governmental activities	\$ (4,027)

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

VILLAGE OF DRY PRONG

Statement of Net Assets

Proprietary Funds

June 30, 2004

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 38,873	\$ -	\$ 38,873
Receivables (net)	11,016	-	11,016
Other assets	1,293	1,292	2,585
Total current assets	<u>51,182</u>	<u>1,292</u>	<u>52,474</u>
Restricted Assets:			
Cash and cash equivalents	<u>134,132</u>	<u>41,814</u>	<u>175,946</u>
Noncurrent Assets:			
Capital Assets:			
Land	-	41,369	41,369
Depreciable capital assets, net	<u>1,443,492</u>	<u>905,612</u>	<u>2,349,104</u>
Total noncurrent assets	<u>1,443,492</u>	<u>946,981</u>	<u>2,390,473</u>
Total assets	<u>1,628,806</u>	<u>990,087</u>	<u>2,618,893</u>
LIABILITIES:			
Current Assets:			
Accounts payable	144	-	144
Due to other funds	65,859	114,462	180,321
Meter deposits	<u>20,726</u>	<u>-</u>	<u>20,726</u>
Total current liabilities	86,729	114,462	201,191
Liabilities Payable From Restricted Assets:			
Accrued interest payable from restricted assets	-	5,000	5,000
Deferred grant revenue	103,352	-	103,352
Construction payables	30,779	-	30,779
Current portion of long-term debt	-	6,615	6,615
Noncurrent Liabilities:			
Long-term debt	<u>-</u>	<u>193,374</u>	<u>193,374</u>
Total liabilities	<u>220,860</u>	<u>319,451</u>	<u>540,311</u>
NET ASSETS:			
Invested in capital assets, net of related debt	1,443,492	746,992	2,190,484
Restricted for debt service	-	36,814	36,814
Unrestricted	<u>(35,546)</u>	<u>(113,170)</u>	<u>(148,716)</u>
Total net assets (deficit)	<u>\$ 1,407,946</u>	<u>\$ 670,636</u>	<u>\$ 2,078,582</u>

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

VILLAGE OF DRY PRONG

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
<u>Operating revenues:</u>			
Charges for services	\$ 60,902	\$ -	\$ 60,902
Charges for services pledged as security for revenue bonds	-	51,191	51,191
Total Operating Revenues	60,902	51,191	112,093
<u>Operating expenses:</u>			
Salaries and payroll taxes	28,471	26,143	54,614
Chemicals and supplies	2,781	579	3,360
Depreciation	35,728	46,267	81,995
Insurance	4,737	2,930	7,667
Utilities	4,436	7,065	11,501
Legal and professional	4,148	5,064	9,212
Repairs and maintenance	8,258	6,240	14,498
Miscellaneous	2,780	2,396	5,176
Total operating expenses	91,339	96,684	188,023
Operating income (loss)	(30,437)	(45,493)	(75,930)
<u>Non-operating revenues (expenses):</u>			
Interest income	433	400	833
Interest expense	-	(10,157)	(10,157)
Total Non-operating revenues	433	(9,757)	(9,324)
Income (loss) before capital contributions and transfers	(30,004)	(55,250)	(85,254)
Capital Contributions	631,114	36,385	667,499
Change in net assets	601,110	(18,865)	582,245
Total net assets - beginning	806,836	689,501	1,496,337
Total net assets - ending	\$ 1,407,946	\$ 670,636	\$ 2,078,582

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

VILLAGE OF DRY PRONG

Statement of Cash Flows Proprietary Funds Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
<u>Cash flow from operating activities:</u>			
Cash received from customers	\$ 63,286	\$ 51,191	\$ 114,477
Cash payments to suppliers of goods and services	(28,699)	(25,566)	(54,265)
Cash payments to employees for services	(28,471)	(26,143)	(54,614)
Net cash provided (used) by operating activities	6,116	(518)	5,598
<u>Cash flows from non-capital financing activities:</u>			
Increase (Decrease) cash advances due to other funds	(13,843)	19,784	5,941
Net cash provided (used) by non-capital financing activities	(13,843)	19,784	5,941
<u>Cash flows from capital and related financing activities:</u>			
Cash paid for capital assets	(365,870)	(37,364)	(403,234)
Cash received from capital grants	500,000	36,385	536,385
Principle paid on revenue bonds	-	(6,300)	(6,300)
Interest paid on debt instruments	-	(10,316)	(10,316)
Net cash provided (used) by capital and related financing activities	134,130	(17,595)	116,535
<u>Cash flows from investing activities:</u>			
Interest and other income	434	400	834
Net cash provided (used) by investing activities	434	400	834
Net increase (decrease) in cash	126,837	2,071	128,908
Beginning cash balance	46,168	39,743	85,911
Ending cash balance	173,005	41,814	214,819
Restricted cash and cash equivalents	134,132	41,814	175,946
Cash and cash equivalents	\$ 38,873	\$ -	\$ 38,873
<u>Reconciliation of operating income (loss) to net cash</u>			
Operating income (loss)	\$ (30,437)	\$ (45,493)	\$ (75,930)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	35,728	46,267	81,995
(Increase) decrease in accounts receivable	(103)	-	(103)
(Increase) decrease in other assets	(1,293)	(1,292)	(2,585)
(Decrease) increase in accounts and other payables	(266)	-	(266)
(Decrease) increase in meter deposits	2,487	-	2,487
Net cash provided (used) by operating activities	\$ 6,116	\$ (518)	\$ 5,598

Supplemental disclosures of cash flow information:

For the year ended June 30, 2004, the Grant Parish Police Jury completed improvements to the Village of Dry Prong's water system at a cost of \$234,465. There were no remaining operating, financing, or investing activities that did not result in cash receipts or payments.

VILLAGE OF DRY PRONG

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Dry Prong (the Village) was incorporated under the provisions of the Lawrason Act. The Village is governed by a Mayor and a Board of Alderman consisting of three (3) members. Services provided by the Village include police and fire protection, and street maintenance. The Village also operates a water distribution system and a sewer system.

The accompanying policies conform to generally accepted accounting principles for governmental units.

Financial Reporting Entity

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

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

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

Based upon application of these criteria, there were no potential component units and all of the Village's activities were included in the primary government reporting entity.

VILLAGE OF DRY PRONG

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Basic Financial Statements

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize activities as either governmental activities or business-type activities, which are described as follows:

- Governmental activities involve government services that are normally supported by taxes and *intergovernmental revenues*.
- Business-type activities rely on fees and charges for support and operate in a manner similar to private sector enterprises.

The government-wide and fund financial statements present the Village's financial position and results of operations from differing perspectives which are described as follows:

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the Village as a whole. The effect of most interfund activity is eliminated from these financial statements. Furthermore, government-wide financial statements exclude any fiduciary activities which are reported in the fund financial statements.

Program revenues reported in the Statement of Activities consist of amounts that are directly associated with a governmental service or business-type activity. Program revenues include charges for services, fines, court cost, contributions associated with a particular function and most grants.

Fund Financial Statements

Funds are separate accounting entities that are designed to assist with demonstrating legal compliance and segregating transactions by activity. Separate financial statements are provided for governmental funds and proprietary funds. In addition, separate financial statements are presented for any fiduciary activities. Major individual funds are reported as separate columns in the fund financial statements. The Village's major funds are described as follows:

- Governmental Funds – The Village's only active major governmental fund is its general fund. The general fund is the primary operating fund and is used to account for all governmental activities.
- Proprietary Funds – Are used to account for business type activities. The operations of the Village's Water System and Sewer System each utilize separate proprietary funds. Revenue earned in exchange for providing services is reported as operating income and revenue from other sources is reported as non-operating. Since proprietary funds operate in a manner similar to business enterprises, these funds follow certain pronouncements that are developed by the Financial Accounting Standards Board

VILLAGE OF DRY PRONG

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(FASB) for business enterprises. However, the Village only applies those FASB pronouncements that were issued on or before November 30, 1989.

Basis Of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described as follows:

<u>Financial Statement Presentation</u>	<u>Basis of Accounting</u>	<u>Measurement Focus</u>
Government-Wide Financial Statements	Accrual Basis	Economic Resources
Fund Financial Statements:		
Governmental Funds	Modified Accrual Basis	Current Financial Resources
Proprietary Funds	Accrual Basis	Economic Resources
Fiduciary Funds	Accrual Basis	Economic Resources

Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

Under the modified accrual basis of account and the current financial resources measure focus revenue is recognized when it is considered measurable and available. Revenue is considered available if it is collected within 60 days of year end. In addition, expenses are generally recorded when a liability has been incurred; however, debt service, compensated absences, claims and judgements are recorded as expenses when payment is made. Furthermore, when the current financial resources measure focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. In addition, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt is reported as an other financing source and repayment of long-term debt is reported as an expenditure.

Non-Exchange Transactions

Revenue from certain non-exchange transactions cannot be properly measured prior to collection. Furthermore, it is not practical to determine the probability of collection resulting from certain non-exchange transactions such as traffic citations. Consequently, revenue from franchise taxes, fines and court cost is not recognized until it is collected.

Use Of Estimates

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted Assets

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. In

VILLAGE OF DRY PRONG

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

situations where it is permissible to spend restricted resources, the Village typically depletes the available restricted resources before consuming unrestricted resources.

Budget Practices

The Mayor prepares an annual budget for the Village's general fund. This budget is submitted to the Board of Aldermen and an approved budget is adopted before the beginning of each fiscal year. Amended budgets are prepared prior to the conclusion of each fiscal year. The amended budgets are prepared and approved in the same manner as the original budget.

The general fund budget presents revenue and expenditures on a basis which is consistent with generally accepted accounting principles. No annual budget is required for the Village's Utility Fund.

Capital Assets

Capital assets are carried at historical cost or estimated historical cost including interest incurred during construction. Prior to July 1, 1989, there were few records supporting the cost; therefore, cost related to the Village's utility system were estimated based on information furnished by the Village's consulting engineers. Cost of buildings and equipment acquired prior to July 1, 1989 were estimated based on replacement cost.

Infrastructure capital assets consisting of streets, bridges, sidewalks and drainage systems acquired before July 1, 2001 are excluded from capital assets. Depreciation associated with capital assets is computed using the straight-line method over the estimated useful lives of the assets.

Cash And Cash Equivalents:

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit and highly liquid investments.

Deferred Revenue:

Amounts collected from grant programs are reported as deferred revenue until the Village has complied with the terms and conditions of the grant program. The amount reported as deferred revenue represents the unexpended portion of grant receipts that are required to be used for specific purposes.

Encumbrance Accounting:

Purchase orders, contracts, and other commitments to engage in future expenditures are referred to as encumbrances. Since encumbrances do not represent liabilities or current expenditures, encumbrances are not reported in the accompanying financial statements.

Internal Balances:

All funds paid to vendors are typically disbursed from the General Fund. Amounts paid by the General Fund on behalf of other funds and any reimbursements received by the General Fund are reported as internal receivables and payables. In the government-wide Statement of Net Assets internal balances are

VILLAGE OF DRY PRONG

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

eliminated except for the presentation of net residual amounts due between governmental and business-type activities.

Statement Of Cash Flows:

For the purpose of reporting cash flows, cash and cash equivalents includes all cash on hand, cash in banks and certificates of deposit.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash balances at June 30, 2004 are presented as follows:

	<u>Book Balance</u>	<u>Bank Balance</u>
Cash and Cash Equivalents	\$ 103,622	\$ 105,408
Restricted Cash and Cash Equivalents	175,946	175,946
Total	\$ 279,568	\$ 281,354

The bank balance of was secured by FDIC insurance totaling \$100,000 and pledged investments held by the custodial bank in the name of the fiscal agent bank (GASB Category 3) with a market value at June 30, 2004 of \$395,979. Even though the pledged securities are considered uncollateralized (Category 3), State law imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds on demand.

NOTE 3 - RECEIVABLES

At June 30, 2004, receivables consisted entirely of amounts due from utility customers. There were no material amounts of uncollectible receivables and there was no provision for bad debts.

NOTE 4 - LONG-TERM DEBT

The following is a summary of transactions involving long-term debt for the year ended June 30, 2004:

Bonds payable, June 30, 2003	\$ 206,289
New issues	----
Retirements	(6,300)
Bonds payable, June 30, 2004	199,989
Due within one year	6,615
Due in more than one year	\$ 193,374

Long-term debt consisted of a \$280,200 Sewer Revenue Bond issue dated November 1, 1982, due in annual installments of \$16,614 including interest at 5%, with the final installment due November 1, 2022.

A schedule of maturities of long-term debt follows for the years ended June 30:

VILLAGE OF DRY PRONG

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

<u>Year Ended June 30th</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 6,615	\$ 9,999
2006	6,945	9,669
2007	7,293	9,321
2008	7,657	8,957
2009	8,040	8,574
2010 – 2014	46,647	36,423
2015 – 2019	59,535	23,535
2020 – 2024	57,257	7,187
Total	\$ 199,989	\$ 113,665

Interest incurred in connection with long-term debt totaled \$10,157 and the entire balance has been presented as a direct expense of the Villages sewer system.

NOTE 5 - AD VALOREM TAXES

The Village bills and collects its own property taxes using the assessed values determined by the Tax Assessor of Grant Parish. For the year ended June 30, 2004, the Village levied 7.38 mills for general corporate purposes.

Ad valorem taxes are assessed on a calendar year basis and are due on or before December 31 in the year the tax is levied. Revenues from ad valorem taxes are recognized as revenue in the year billed.

NOTE 6 – CAPITAL ASSETS

A summary of the property and equipment reported by the Village's enterprise funds at June 30, 2004 consists of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Land	\$ 10,243	\$ ----	\$ ----	\$ 10,243
<u>Capital Assets Being Depreciated:</u>				
Buildings and Improvements	195,865	9,939	----	205,804
Machinery and Equipment	157,006	----	----	157,006
Total	352,871	9,939	----	362,810
Less Accumulated Depreciation	158,814	18,863	----	177,677
Total Net of Depreciation	\$ 194,057	\$ (8,924)	\$ ----	\$ 185,133

VILLAGE OF DRY PRONG

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<u>Business-Type Activities</u>				
Land	\$ 41,369	\$ ----	\$ ----	\$ 41,369
<u>Capital Assets Being Depreciated:</u>				
Water Distribution System	1,046,180	234,466	----	1,280,646
Wastewater System	1,718,232	37,365	----	1,755,597
Equipment	59,071	----	----	59,071
Construction in Process	----	396,647	----	396,647
Total	2,823,483	668,478	----	3,491,961
Less Accumulated Depreciation	1,060,862	81,995	----	1,142,857
Total Net of Depreciation	\$ 1,762,621	\$ 586,483	\$ ----	\$ 2,349,104

Depreciation expense reported by various functions is presented as follows:

Governmental Activities:

General Government	\$ 12,740
Law Enforcement	4,653
Fire Protection	1,470
Total Depreciation – Governmental Activities	\$ 18,863

Business-Type Activities:

Water	\$ 35,728
Sewer	46,267
Total Depreciation – Business-Type Activities	\$ 81,995

NOTE 7- RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft, damage or destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Village insures against these risks by participating in a public entity risk pool that operates as a common insurance program and by purchasing commercial insurance. Settled claims resulting from these risk have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 8 - RESTRICTED RESOURCES

Bond covenants require the Village to establish bank accounts which serve as debt service and depreciation reserves. Funds may be disbursed from these accounts only under specific circumstances described by the

VILLAGE OF DRY PRONG

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

bond covenants. Amounts on deposit in these accounts are reported as restricted cash. In addition, the corresponding amounts of net assets are also presented as restricted net assets.

NOTE 9 – INTERFUND BALANCES

As discussed in Note 1, interfund balances arise when the general fund disburses funds on behalf of the water and sewer fund. The water and sewer funds periodically submit reimbursements to the general fund; however, no significant reductions in the interfund balances are expected within the next year. Balances outstanding at June 30, 2004 are summarized as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental Activities:</u>		
General Fund	\$ 180,321	\$ ---
<u>Business-Type Activities:</u>		
Water	---	65,859
Sewer	---	114,462
Total Business-Type Activities	---	180,321
Government-Wide Totals	\$ 180,321	\$ 180,321

NOTE 10 – DEFERRED REVENUE

The United States Department of Agriculture has awarded a grant in the amount of \$500,000 for the completion of the Willett Loop water extension phase II. A portion of the grant totaling \$396,648 has been expended on construction activity and recognized as grant income in the water fund. Recognition of the remaining \$103,352 has been deferred and is presented as deferred revenue in the liability section of the water fund statement of net assets.

VILLAGE OF DRY PRONG

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

Year Ended June 30, 2003

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
<u>Revenues:</u>				
Taxes:				
Ad valorem	\$ 10,000	\$ 10,000	\$ 8,238	\$ (1,762)
Franchise	18,000	18,000	16,195	(1,805)
Occupational licenses	28,500	28,500	31,527	3,027
Intergovernmental	-	-	3,373	3,373
Fines and Court Cost	100,000	75,000	71,710	(3,290)
Miscellaneous	6,500	6,500	12,061	5,561
Total revenues	163,000	138,000	143,104	5,104
<u>General Government:</u>				
Salary - mayor and aldermen	3,000	3,000	3,000	-
Salaries - other	22,800	20,800	17,497	3,303
Community center	-	-	2,679	(2,679)
Dues and publications	1,500	1,500	237	1,263
Insurance	6,100	6,100	5,096	1,004
Legal and professional	7,500	7,500	12,327	(4,827)
Library	2,000	2,000	1,796	204
Office supplies	2,000	2,000	3,103	(1,103)
Payroll taxes and benefits	5,400	5,400	4,777	623
Printing and advertising	1,000	1,000	1,336	(336)
Repairs and maintenance	16,000	12,000	8,749	3,251
Streets and parks	6,000	6,000	7,076	(1,076)
Traffic ticket assessments	10,000	7,000	5,709	1,291
Utilities and telephone	6,000	6,000	4,322	1,678
Miscellaneous	5,560	3,560	4,563	(1,003)
Total general government	94,860	83,860	82,267	1,593

Continued...

VILLAGE OF DRY PRONG

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

Year Ended June 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<u>Public Safety:</u>				
Police department				
Salaries and payroll taxes	50,740	46,740	43,375	3,365
Fuel	2,300	2,300	1,630	670
Parts and supplies	13,400	3,400	985	2,415
Miscellaneous	1,700	1,700	10	1,690
Total police department	68,140	54,140	46,000	8,140
Fire department				
Miscellaneous	-	-	-	-
Total fire department	-	-	-	-
Capital Outlay	-	-	9,939	(9,939)
Total expenditures	163,000	138,000	138,206	(206)
Excess (deficiency) of revenues over expenditures	-	-	4,898	4,898
Other sources (uses)				
Operating transfers in (out)	-	-	-	-
Net Change in Fund Balances	-	-	4,898	4,898
Fund balance - beginning of year	235,748	235,748	235,748	-
Fund balance - end of year	\$ 235,748	\$ 235,748	\$ 240,646	\$ 4,898

VILLAGE OF DRY PRONG

Statements of Net Assets

Sewer Fund

June 30, 2004 and 2003

	2004	2003
<u>ASSETS:</u>		
Current Assets:	\$ 1,292	\$ -
Other assets		
Restricted Assets:		
Cash and cash equivalents		
Sinking Fund	11,587	11,480
Depreciation and Contingency	17,035	16,029
Reserves	13,192	12,234
Total Restricted Assets	<u>41,814</u>	<u>39,743</u>
Noncurrent Assets:		
Capital Assets:		
Land	41,369	41,369
Depreciable capital assets, net	905,612	914,515
Total noncurrent assets	<u>946,981</u>	<u>955,884</u>
Total assets	<u>990,087</u>	<u>995,627</u>
<u>LIABILITIES:</u>		
Current Assets:		
Due to other funds	114,462	94,678
Total current liabilities	<u>114,462</u>	<u>94,678</u>
Liabilities Payable From Restricted Assets:		
Accrued interest payable from restricted assets	5,000	5,159
Current portion of long-term debt	6,615	6,300
Noncurrent Liabilities:		
Long-term debt	<u>193,374</u>	<u>199,989</u>
Total liabilities	<u>319,451</u>	<u>306,126</u>
<u>NET ASSETS:</u>		
Invested in capital assets, net of related debt	746,992	749,595
Restricted for debt service	36,814	34,584
Unrestricted	<u>(113,170)</u>	<u>(94,678)</u>
Total net assets (deficit)	<u>\$ 670,636</u>	<u>\$ 689,501</u>

VILLAGE OF DRY PRONG

Statements of Revenues, Expenses and Changes in Fund Net Assets Sewer Fund

Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<u>Operating revenues:</u>		
Charges for services pledged as security for revenue bonds	\$ 51,191	\$ 48,171
Total Operating Revenues	<u>51,191</u>	<u>48,171</u>
<u>Operating expenses:</u>		
Salaries and payroll taxes	26,143	19,017
Chemicals and supplies	579	462
Depreciation	46,267	46,384
Insurance	2,930	2,202
Utilities	7,065	6,759
Legal and professional	5,064	3,920
Repairs and maintenance	6,240	5,090
Miscellaneous	2,396	3,225
Total operating expenses	<u>96,684</u>	<u>87,059</u>
Operating income (loss)	<u>(45,493)</u>	<u>(38,888)</u>
<u>Non-operating revenues (expenses):</u>		
Interest income	400	519
Interest expense	(10,157)	(10,465)
Total Non-operating revenues	<u>(9,757)</u>	<u>(9,946)</u>
Income (loss) before capital contributions and transfers	(55,250)	(48,834)
Capital Contributions	<u>36,385</u>	<u>-</u>
Change in net assets	(18,865)	(48,834)
Total net assets - beginning	<u>689,501</u>	<u>738,335</u>
Total net assets - ending	<u>\$ 670,636</u>	<u>\$ 689,501</u>

VILLAGE OF DRY PRONG
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
For the year ended June 30, 2004

John Landry, Mayor	\$ 1,200
Sharon Hataway, Alderman	600
Bill Morrison, Alderman	600
Yevonne Stark, Alderman	<u>600</u>
 Total	 <u><u>\$ 3,000</u></u>

ROZIER, HARRINGTON & MCKAY

CERTIFIED PUBLIC ACCOUNTANTS

1407 PETERMAN DRIVE • ALEXANDRIA, LOUISIANA 71301

JOHN S. ROZIER, IV, CPA
M. DALE HARRINGTON, CPA
MARK S. MCKAY, CPA
LEE W. WILLIS, CPA
STEVEN E. KIMBALL, CPA

MAILING ADDRESS
POST OFFICE BOX 12178
ALEXANDRIA, LOUISIANA 71315-2178
TELEPHONE (318) 442-1808
TELECOPIER (318) 487-2027

August 6, 2004

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

To the Mayor and Board of Aldermen
Village of Dry Prong, Louisiana

We have audited the financial statements of the Village of Dry Prong, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 6, 2004. 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.

Compliance

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

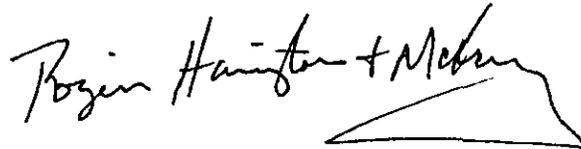
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Dry Prong's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

-Members-

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

A handwritten signature in cursive script that reads "Rozier Harrington + McKay". The signature is written in black ink and is positioned above a horizontal line that serves as a separator between the signature and the printed name below.

ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

VILLAGE OF DRY PRONG

SCHEDULE OF FINDINGS AND QUESTIONED COST **For the Year Ended June 30, 2004**

PART I - SUMMARY OF AUDITOR'S RESULTS:

- The Independent Auditors' Report on the financial statements of the Village of Dry Prong as of June 30, 2004 and for the year then ended expressed an unqualified opinion.
- The audit did not disclose any audit findings which are required to be reported as reportable conditions or material weaknesses.
- The results of the audit disclosed no instances of noncompliance that are considered to be material to the financial statements of the Village of Dry Prong.

PART II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

- None.

PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WHICH SHALL INCLUDE AUDIT FINDINGS AS DEFINED BY OMB CIRCULAR A-133:

- None.

VILLAGE OF DRY PRONG

MANAGEMENT'S CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2004

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
No findings that are material to the financial statements were reported.	Response – N/A
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
No findings were reported in the schedule of findings and questioned costs.	Response – N/A
SECTION III MANAGEMENT LETTER	
No management letter was issued with this report.	Response – N/A

VILLAGE OF DRY PRONG

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COST For the Year Ended June 30, 2004

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
No findings of this nature were reported as a result of the previous audit.	Response - N/A
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
No findings of this nature were reported as a result of the previous audit.	Response - N/A
SECTION III MANAGEMENT LETTER	
No management letter was issued with the previous audit.	Response - N/A