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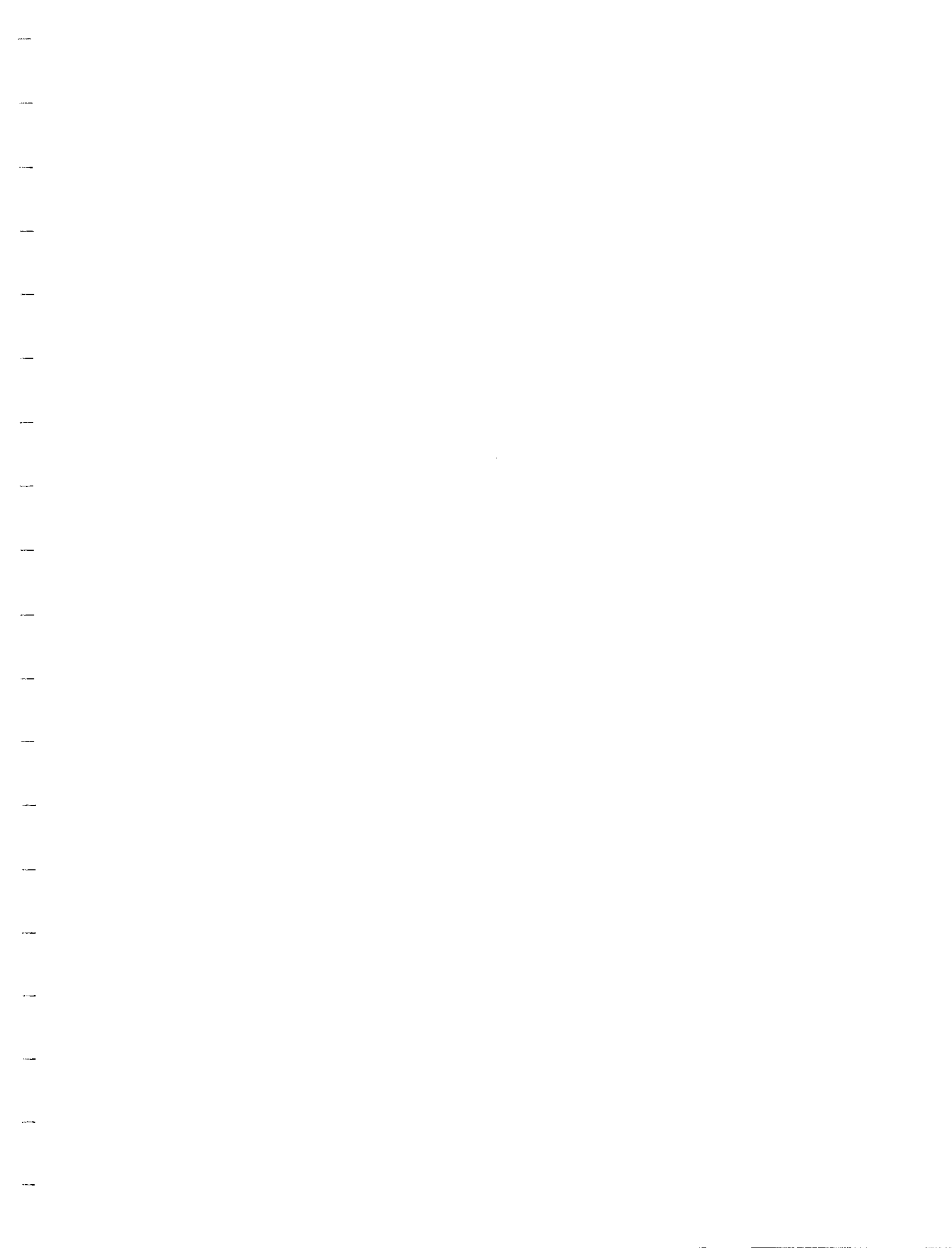
Town of Crowder
Financial Statements
September 30, 2006

Ellis & Hirsberg
Certified Public Accountants, PLLC
Clarksdale, Mississippi

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STATE AUDITOR



**TOWN OF CROWDER, MISSISSIPPI
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SEPTEMBER 30, 2006**

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
Town of Crowder
Crowder, Mississippi

We have audited the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities of the Town of Crowder, Mississippi, as of and for the year ended September 30, 2006. This financial statement is the responsibility of the Town of Crowder, Mississippi's management. Our responsibility is to express an opinion on this financial statement 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 statement referred to above is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities. 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.

As described more fully in Note 1, the Town of Crowder, Mississippi has prepared their financial statements using accounting practices permitted by the Mississippi State Department of Audit, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effect of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of each fund of the Town of Crowder, Mississippi as of September 30, 2006, or changes in financial position or cash flows thereof for the year then ended. Further, the Town has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of each fund of the Town of Crowder, Mississippi as of September 30, 2006, and their respective cash receipts and disbursements, for the year then ended, on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities of the Town of Crowder, Mississippi taken as a whole. Schedules 1 - 4 are presented for the purposes of additional analysis and are not a required part of the financial statement. The information in those schedules has been subjected to the auditing procedures applied in the audit of the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities and, in our opinion, is fairly presented in all material respects in relation to the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2007 on our consideration of the Town of Crowder's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

February 17, 2007

Ellis + Hirsberg CPA PLLC

TOWN OF CROWDER, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS -
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2006

	Governmental Fund Types				Total Memorandum Only	Business-type Activities Proprietary Fund
	General	Federal Special Revenues	Federal Capital Project			
REVENUE RECEIPTS:						
General Property Taxes:						
Real, personal and utility Vehicles	30,452			30,452		
Total taxes	22,164			22,164		
	52,616	0	0	52,616		0
Licenses and Permits:						
Licenses and permits	370			370		
Franchise fees - utilities	12,220			12,220		
Total licenses and permits	12,590	0	0	12,590		0
Intergovernmental Revenue:						
Federal grants:						
State Domestic Preparedness		9,800		9,800		
HOME Grant		346,359		346,359		
Rural Development - Community facility grant - Town Hall		53,308		53,308		
Rural Development - Community facility grant - Equipment		40,382		40,382		
CDBG - Water distribution system improvements			151,230	151,230		
Total federal grants	0	449,849	151,230	601,079		0
State grants:						
Homestead exemption reimbursement	3,932			3,932		
Total state grants	3,932	0	0	3,932		0
State shared revenues:						
General sales tax	13,135			13,135		
Municipal aid	399			399		
Motor vehicles fuel taxes	2,106			2,106		

TOWN OF CROWDER, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS -
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2006

	Governmental Fund Types				Total Memorandum Only	Business-type Activities
	General	Federal Special Revenues	Federal Capital Project			
TVA in lieu of taxes	3,890				3,890	
Fire insurance premium taxes	3,895				3,895	
Total state shared revenues	23,425	0	0		23,425	0
County shared revenues:						
Fire protection	3,750				3,750	
Total county shared revenues	3,750	0	0		3,750	0
Total intergovernmental revenue	31,107	449,849	151,230		632,186	0
Charges for Services:						
Garbage	36,891				36,891	130,733
Water and sewer					0	
Connection fees and deposits					0	5,060
Total charges for services	36,891	0	0		36,891	135,793
Fines and Forfeits:						
Police fines	10,152				10,152	
Miscellaneous:						
Sale of Property	4,389				4,389	971
Interest income	597				597	
Miscellaneous	10,061	32			10,093	
Total miscellaneous	15,047	32	0		15,079	971
Total cash receipts	158,403	449,881	151,230		759,514	136,764

TOWN OF CROWDER, MISSISSIPPI
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS -
 GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
 YEAR ENDED SEPTEMBER 30, 2006

	Governmental Fund Types				Total Memorandum Only	Business-type Activities
	General	Federal	Capital	Proprietary Fund		
		Special Revenues	Project			
DISBURSEMENTS:						
General Government:						
Financial administration:						
Salaries	21,562				21,562	
Office	8,300				8,300	
Telephone and utilities	5,667				5,667	
Insurance	20,834				20,834	
Other services and charges	28,702	32			28,734	
Total general government	85,065	32	0		85,097	0
Public Safety:						
Police:						
Salaries	21,211				21,211	
Gas and oil	1,167				1,167	
Repairs and supplies	1,879				1,879	
Street lights	7,127				7,127	
Total police	31,384	0	0		31,384	0
Fire:						
Supplies and repairs	7,356				7,356	
Total fire	7,356	0	0		7,356	0
Total public safety	38,740	0	0		38,740	0
Public Health:						
Garbage fees	34,920				34,920	
Total public health	34,920	0	0		34,920	0

TOWN OF CROWDER, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS -
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2006

	Governmental Fund Types				Business-type Activities	
	General	Federal Special Revenues	Federal Capital Project	Memorandum Only	Proprietary Fund	
Enterprise Funds:						
Salaries and labor				0		41,385
Repairs and supplies				0		22,361
Other service and charge				0		19,772
Refunds and bad checks				0		1,748
Utilities and telephone				0		13,607
Total enterprise disbursements	0	0	0	0		98,873
Federal Fund Expenditures:						
State Domestic Preparedness		9,800		9,800		
Rural Development - Community facility grant - Equipment		40,382		40,382		
Rural Development - Community facility grant - Town Hall		47,583		47,583		
CDBG - Water distribution system improvements			151,230	151,230		
HOME Grant		346,359		346,359		
Total federal fund expenditures	0	444,124	151,230	595,354		0
Debt Service:						
Principal retirement - notes				0		19,887
Interest				0		11,552
Total debt service	0	0	0	0		31,439
Total cash disbursements	158,725	444,156	151,230	754,111		130,312
OTHER FINANCING SOURCES - (USES):						
Operating transfers in	5,128			5,128		
Operating transfers out				0		(5,128)
Total other financing sources, (uses)	5,128	0	0	5,128		(5,128)

TOWN OF CROWDER, MISSISSIPPI
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS -
 GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
 YEAR ENDED SEPTEMBER 30, 2006

	Governmental Fund Types				Business-type Activities	
	General	Federal Special Revenues	Federal Capital Project	Memorandum Only	Proprietary Fund	
Excess cash receipts and other financing Sources over/under (-) cash disbursements	4,806	5,725	0	10,531	1,324	
Cash and investments balance - beginning of year	<u>36,746</u>			<u>36,746</u>	<u>113,893</u>	
Cash and investments balance - end of year	<u><u>41,552</u></u>	<u><u>5,725</u></u>	<u><u>0</u></u>	<u><u>47,277</u></u>	<u><u>115,217</u></u>	

The notes to the financial statements are an integral part of this statement.

**TOWN OF CROWDER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Town of Crowder operates under a Mayor-Board of Aldermen form of government. Town's population on the 2000 census was 766. The accounting policies of the Town of Crowder conform to the laws of Mississippi for a municipality with a population of less than 3,000. The following is a summary of the more significant policies.

Reporting Entity - This report includes all of the funds of the Town of Crowder. The Town has developed criteria to determine whether outside agencies or authorities with activities which benefit the citizens of the Town should be included within its financial reporting entity. The criteria include, but are not limited to, whether the Town exercises oversight responsibility on financial inter-dependency, selection of governing authority, and accountability for fiscal matter, scope of public service and special financing relationships. No component unit was identified for inclusion or potential inclusion utilizing the criteria indicated.

Basis of Presentation - Fund Accounting - The accounts of the Town of Crowder are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise revenues/receipts and expenditures/disbursements. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

Basis of Accounting - All governmental and proprietary funds are accounted for using the cash receipts and disbursements basis of accounting, as permitted by the Mississippi State Department of Audit. This basis of accounting differs from accounting principles generally accepted in the United States of America in that revenues are recognized when received rather than when measurable and available as net current assets and expenditures are generally recognized when the related fund expense is disbursed rather than when the related fund liability is incurred. Consequently, these financial statements are not intended to present financial position or results of operations in accordance with accounting principles generally accepted in the United States of America. Financial statements issued following accounting principles generally accepted in the United States of America normally contain Government-Wide Financial Statements, Fund Financial Statements, Management Discussion and Analysis (MD&A), Required Supplemental Information other than MD&A (Budgetary Reporting), and other Supplemental Information.

**TOWN OF CROWDER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2006**

The following funds are used by the Town:

Governmental Fund Types:

General Fund - This fund is established to account for resources devoted to financing the general services that the Town performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Town are included in this fund. The fund is charged with all cost of operating the government for which a separate fund has not been established.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt including principal, interest and related costs.

Special Revenue Fund - The Special Revenue Fund is used to account for specific revenues that are legally restricted to expenditures for specific purposes.

Federal Capital Project Fund - Capital project funds are used to account for financial resources to be used for acquisition and/or construction of major capital facilities. These often involve federal grants or loans.

Federal Special Revenue Fund - The special revenue fund is used to account for special revenues, most of which are federal grants or awards for specific purposes.

Proprietary Fund Types:

Enterprise Funds - These funds account for operations that are organized to be self-supporting through user charges. Included in this category is the Water and Sewer Fund.

Budgetary Data - Formal budgetary accounting is employed as a management control for all funds of the Town. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for governmental and proprietary funds. For governmental funds, receipts are budgeted on the cash basis.

Expenditures are also budgeted on the modified cash basis of accounting. Budgets for Capital Projects Funds are made on a project basis, spanning more than one fiscal year. Budgetary control is exercised at the departmental level or by projects.

All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.

Cash - Cash in excess of current requirements is invested in various interest-bearing bank deposits and disclosed as part of the Town's cash and investment balance when applicable.

**TOWN OF CROWDER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2006**

Revenues and Expenditures/Expenses - Revenue for governmental and proprietary funds are recorded when they are received. Expenditures for governmental funds are recorded when the warrant is issued.

Property Tax Revenues - Property taxes are levied on January 1 based on the assessed value of property per the County Tax Bills. Assessed values are an approximation of market value.

Property taxes are recognized as revenue when they are received.

Encumbrances - The Town of Crowder does not use encumbrance accounting.

Total Columns - The Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities includes a total column that is described as memorandum only. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with receipts and disbursements basis of accounting, as permitted by the Mississippi State Department of Audit. Interfund transactions have not been eliminated from the total column of this financial statement.

NOTE 2 - PROPERTY TAXES:

Property taxes attach as an enforceable lien as of February 1.

The Town used a tax levy in 2005 of 40 mills on assessed valuation for taxing property within the incorporated boundaries. The Town utilized the county tax rolls of Quitman County and Panola County in assessing the ad valorem taxes on real and personal property within the Town boundaries. The Town's property taxes and personal auto taxes are collected and remitted to the Town by the Quitman County and Panola County tax collectors.

Property for which ad valorem taxes have not been paid is advertised for sale April of each year. Property not sold at the auction is purchased by the State of Mississippi.

Ad valorem tax collections were found to be within the limitations of Section 27-39-32 to 27-39-323, Miss. Code Ann (1972).

NOTE 3 - CASH AND INVESTMENTS:

State law authorizes the Town to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U. S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the Town may invest in certain repurchase agreements.

**TOWN OF CROWDER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2006**

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash.

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by Federal Depository Insurance Corporation. As of September 30, 2006 all deposits were fully collateralized.

The carrying amount of the Town's deposits with financial institutions was \$161,994 and the bank balance was \$173,205.

NOTE 4 - LONG-TERM DEBT

Schedule 3 contained in this report reflects changes in the long-term debt of the Town during the current fiscal year.

The following schedule reflects the debt service requirements of the revenue debt contained in the schedule of long-term debt for the next five years and thereafter:

Revenue Obligations

	<u>FYE</u>	<u>FYE</u>	<u>FYE</u>	<u>FYE</u>	<u>FYE</u>	FYE	FYE
	<u>9-30-07</u>	<u>9-30-08</u>	<u>9-30-09</u>	<u>9-30-10</u>	<u>9-30-11</u>	9-30-12	9-30-17
						Thru	Thru
						<u>9-30-16</u>	<u>9-30-19</u>
Rural Development							
Waterworks & Sewer							
System Note, Interest							
Rate 5%							
Principal	14,581	15,310	16,073	16,107	16,879	32,456	
Interest	5,545	4,816	4,053	4,019	3,247	7,796	
Rural Development							
Waterworks & Sewer							
System Note, Interest							
Rate 5%							
Principal	6,767	7,113	7,477	7,859	8,262	48,099	8,346
Interest	4,546	4,200	3,836	3,454	3,051	8,466	1,082

**TOWN OF CROWDER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2006**

General Obligations

Scott Financial Services
Backhoe Note
Rate 4.7%

Principal	4,242	4,487	4,732
Interest	734	489	245

There are a number of limitations and restrictions contained in the revenue bond ordinances. There are requirements that a reserve account be maintained as follows:

	<u>Amount of Reserve Requirement At 9-30-06</u>	<u>Amount of Reserve At 9-30-06</u>
Note Payable Rural Development		
#92-01	21,000	21,287
#91-04	12,000	12,002

NOTE 5 - COMMUNITY DEVELOPMENT BLOCK GRANT

During a prior fiscal year the Town of Crowder received a \$236,240 grant as a community development block grant through the State of Mississippi Department of Economic and Community Development (HOME) program to assist in the construction of low income housing. These funds were loaned to Crowder Apartments, L.P. A note was executed on April 8, 1996 to the Town of Crowder with terms as follows: \$236,240 payable at 1% interest for 50 years and with amortization to begin after 10 years and with repayment of said indebtedness based on the lesser of either (a) the amortization schedule or (b) 50% of the net cash flow after expenses and the deduction of the first mortgage debt service. The note is secured by a deed of trust on said property where the low income housing project is located.

During 2005 a Mortgage Modification Agreement and Subordination was authorized whereby payment of 50% of the net cash flow after expenses and the deduction of the first mortgage debt service would be deleted and that the Town of Crowder would be paid by the owner of the property \$500.00 per month beginning October 1, 2008 until the \$236,240 is paid in full. This notice is non- interest bearing. This note would remain subordinate to the first mortgage note owed to Covenant Bank.

NOTE 6 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors, and omissions; injuries to employees; and natural disasters. Except as described below, the Town carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**TOWN OF CROWDER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2006**

Participation in Public Entity Risk Pool.

The Town is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the Town's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The trust pays statutory amounts. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MMWCG has reinsurance. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The Town has not had an additional assessment for excess losses incurred by the pool.

The Town is a member of the Mississippi Municipal Liability Plan (MMLP). This is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMLP covers liability claims against the Town. Each member of the MMLP contributes to a fund held in trust account. The funds held in the trust account are used to pay claims of \$500,000 for torts and \$1,000,000 on federal claims. The Town has not had an additional assessment for excess losses.

TOWN OF CROWDER, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
FOR YEAR ENDED SEPTEMBER 30, 2006

<u>Definition & Purpose</u>	Balance	Transactions		Balance
	Outstanding 10-1-05	During Fiscal Year Issued	Redeemed	Outstanding 9-30-06
Revenue Obligations				
5-10-78 Rural Development - Waterworks and sewer system note. Due in annual installments. Final installment 5-10-13. Interest rate 5.0%.	124,765		13,359	111,406
7-20-83 Rural Development - Waterworks and sewer system note. Due in monthly payments of \$942.75. Final installment 7-20-18. Interest rate 5.0%.	<u>100,451</u>		<u>6,528</u>	<u>93,923</u>
Total - Revenue Obligations	<u>225,216</u>	<u>0</u>	<u>19,887</u>	<u>205,329</u>
General Obligations				
7/7/06 Scott Financial Services Purchase of Backhoe Due in 3 annual installments Of \$4,976.23 beginning 7/7/07		<u>13,461</u>		<u>13,461</u>
Total - General Obligations	<u>0</u>	<u>13,461</u>	<u>0</u>	<u>13,461</u>
Total - Long Term Debt	<u>225,216</u>	<u>13,461</u>	<u>19,887</u>	<u>218,790</u>

TOWN OF CROWDER, MISSISSIPPI
 SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
 SEPTEMBER 30, 2006

<u>Name</u>	<u>Position</u>	<u>Agency / Insurer</u>	<u>Bond</u>
Stephen Stanton	Mayor	MS Municipal Bond Program	25,000
Lynette Bland	Town Clerk	Brierfield Insurance Co.	90,000
Sherry Stevenson	Deputy Clerk	MS Municipal Bond Program	10,000
Joe Cole	Alderman	MS Municipal Bond Program	3,000
James King	Alderman	MS Municipal Bond Program	3,000
Walter Shegog, Sr.	Alderman	MS Municipal Bond Program	3,000
Mary Stroup	Alderman	MS Municipal Bond Program	3,000
Charles Wilson	Alderman	MS Municipal Bond Program	3,000
Lawrence Moore	Policeman	St. Paul	25,000
Tommy Bryant	Policeman	St. Paul	25,000

TOWN OF CROWDER, MISSISSIPPI
 SCHEDULE OF INVESTMENTS - BUSINESS-TYPE ACTIVITIES
 SEPTEMBER 30, 2006

All investments are certificates of deposit
 With Banks

PROPRIETARY FUND:

#18639, 3.39%	50,033
#17495, 4.11%	3,000
#7939, 2.5%	12,108
#18643, 3.39%	6,008
#17501, 4.11%	6,138
#17503, 4.11%	3,070
#18640, 3.39%	3,069
#18638, 3.39%	1,004
#19629, 4.00%	<u>8,173</u>
 Total investments	 <u><u>92,603</u></u>

Certificates of deposit are included in cash in the Statement of Cash Receipts and Disbursements,
 Governmental and Business-type Activities.

TOWN OF CROWDER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2006

Federal Grantor/ Pass Thru Grantor/	CFDA Number	Direct Federal	Federal Flow- Through	Total Expenditures	Federal Expenditures
Major Programs					
U. S. Department of Housing & Urban Development Mississippi Development Authority HOME Grant MO3-SG-280-164	14.239		346,359	346,359	346,359
Total Major Programs		0	346,359	346,359	346,359
Other Federal Assistance					
U. S. Department of Homeland Security State Domestic Preparedness	97.004		9,800	9,800	9,800
U. S. Department of Housing & Urban Development Community Development Block Grant CDBG - Water Distribution System 1122 05-160-PF-01	14.219		234,130	234,130	234,130
U. S. Department of Agriculture Community Facility Grant Rural Development - Town Hall Rural Development - Equipment	10.766 10.766		53,308 40,382	47,583 53,843 *	47,583 40,382
Total Other Federal Assistance		0	337,620	345,356	331,895
Total Federal Financial Awards		0	683,979	691,715	678,254

* Includes matching funds.

**TOWN OF CROWDER, MISSISSIPPI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

A. Basis of Presentation.

The accompanying Schedule of Expenditures of Federal Awards (the schedule) has been generally prepared in the format as set forth in Statement of Position 92-9. The purpose of the schedule is to present a summary of those activities represented by the Town of Crowder, Mississippi for the year ended September 30, 2006, which have been financed by the U. S. Government (federal awards). For the purposes of the schedule, federal awards include all federal assistance and procurement relationships entered into directly between the Town of Crowder, Mississippi and the federal government and sub-awards from non-federal organizations made under federally sponsored agreements. Because the schedule presents only a selected portion of the activities of the Town of Crowder, Mississippi, it is not intended to and does not present either the financial position or the changes in fund balances of the Town of Crowder, Mississippi.

In accordance with Office of Management and Budget (OMB) Circular A-133, federal awards are classified as follows:

Major Programs - Total federal program expenditures are the larger of three percent of total federal funds expended or \$300,000.

B. Revenue and Expenditures Recognition.

As required in a single audit, expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. The accompanying Schedule of Expenditures of Federal Awards is prepared on this basis.

C. Reconciliation of Federal Cash Receipts To Schedule of Expenditures of Federal Awards:

	Total	Federal Capital Projects Fund	Federal Special Revenue Fund
Receipts as Shown in Statement of Cash Receipts & Disbursements	601,079	151,230	449,849
Add: CDBG - Water Distribution System	82,900	82,900	
<u>Total Federal Financial Awards</u>	683,979	234,130	449,849

**TOWN OF CROWDER, MISSISSIPPI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Reconciliation of Cash Disbursements - Federal Capital Projects Funds and Federal Special Revenue Fund to Schedule of Expenditures of Federal Awards:

Disbursements As Shown in Statement of Cash Receipts & Disbursements	595,354	151,230	444,124
Add: Accrued Expense CDBG - Water Distribution System	<u>82,900</u>	<u>82,900</u>	<u> </u>
<u>Total Federal Expenditures</u>	<u><u>678,254</u></u>	<u><u>234,130</u></u>	<u><u>444,124</u></u>

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

Honorable Mayor and Board of Aldermen
Town of Crowder
Crowder, Mississippi

We have audited the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities of the Town of Crowder, Mississippi as of and for the year ended September 30, 2006, and have issued our report thereon dated February 17, 2007. Our report differed from the standard report due to the basis of accounting. All governmental and proprietary funds contained in this report are accounted for using the cash receipts and disbursements basis of accounting, as permitted by the Mississippi State Department of Audit. This basis of accounting differs from accounting principles generally accepted in the United States of America in that revenues are recognized when received rather than when measurable and available as net current assets and expenditures are generally recognized when the related fund expense is disbursed rather than when the related fund liability is incurred. Consequently, these financial statements are not intended to present financial position or results of operations in accordance with accounting principles generally accepted in the United States of America. Financial statements issued following accounting principles generally accepted in the United States of America normally contain Government-Wide Financial Statements, Fund Financial Statements, Management Discussion and Analysis (MD&A), Required Supplemental Information other than MD&A (Budgetary Reporting), and other Supplemental Information. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Crowder, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design

or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of Crowder, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 06-01.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described in the accompanying Schedule of Findings and Questioned Costs as Item 06-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Crowder's Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities is 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 did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Town board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

February 17, 2007

Ellis + Hirsberg CPA PLLC

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

Honorable Mayor and Board of Aldermen
Town of Crowder
Crowder, Mississippi

Compliance

We have audited the compliance of the Town of Crowder, Mississippi with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2006. The Town of Crowder, Mississippi's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Crowder, Mississippi's management. Our responsibility is to express an opinion on the Town of Crowder, Mississippi's compliance based on our audit.

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

In our opinion, the Town of Crowder, Mississippi complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the mayor, board of aldermen and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

February 17, 2007

Ellis + Huisberg CPA PLLC

Section 2 - Financial Statement Findings

06-01 Finding: A reportable condition exists in the Town of Crowder, Mississippi's internal control structure. There is a lack of segregation of duties in the Town Clerk's office. Internal accounting controls of the Town of Crowder are inadequate because of a lack of segregation of duties due to limited personnel and limited funding. Good internal controls call for the segregation of duties between the performance, approval and record keeping of a transaction. This finding was reported in the prior year.

Recommendation: An evaluation should be made of the internal control structure of the Town of Crowder, Mississippi, to determine a workable and economically feasible segregation of conflicting duties between employees.

Section 3 - Federal Award Findings and Questioned Costs

None

Section 4 - Material Noncompliance - Prior Year

None



Town of Crowder

P. O. Box 97 • 450 Quitman Avenue
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Fax: (662) 326-2600
E-mail: crowder@nsmailbox.com

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section __.315(c) of OMB Circular A-133, the Town of Crowder, Mississippi has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2006.

06-01 Name of Contact Person:

Lynette Bland, Town Clerk
662-326-8822

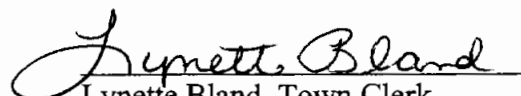
Corrective Action Planned

Town officials are aware of the problems which exist regarding their internal control structure and will attempt to reassign duties between the employees, include Town management more, and incorporate their computer system into the internal control structure. The Town of Crowder, Mississippi is unable to hire additional employees to properly segregate duties due to the limited funding resources of a small municipality.

Anticipated Completion Date

March 31, 2007

Sincerely,


Lynette Bland, Town Clerk
Town of Crowder, Mississippi

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS**

Honorable Mayor and Board of Aldermen
Town of Crowder, Mississippi

We have audited the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities of the Town of Crowder, Mississippi as of and for the year ended September 30, 2006, and have issued our report thereon dated February 17, 2007. Our report differed from the standard report due to the basis of accounting. All governmental and proprietary funds contained in this report are accounted for using the cash receipts and disbursements basis of accounting, as permitted by the Mississippi State Department of Audit. This basis of accounting differs from accounting principles generally accepted in the United States of America in that revenues are recognized when received rather than when measurable and available as net current assets and expenditures are generally recognized when the related fund expense is disbursed rather than when the related fund liability is incurred. Consequently, these financial statements are not intended to present financial position or results of operations in accordance with accounting principles generally accepted in the United States of America. Financial statements issued following accounting principles generally accepted in the United States of America normally contain Government-Wide Financial Statements, Fund Financial Statements, Management Discussion and Analysis (MD&A), Required Supplemental Information other than MD&A (Budgetary Reporting), and other Supplemental Information. 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.

We have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express an opinion.

In connection with our audit, nothing came to our attention that caused us to believe that the Town of Crowder, Mississippi had not complied with the requirements of the Office of the State Auditor as set forth in the Municipal Compliance Questionnaire and other state laws and regulations.

This report is intended for the information of the Mayor and Board of Aldermen and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

February 17, 2007

Ellis + Hirsberg CPA PLLC