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TOWN OF EDWARDS, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

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TOWN OF EDWARDS, MISSISSIPPI
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**BANKS, FINLEY,
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANT

The Honorable Mayor R. L. Perkins
and Honorable Members of the Board of Alderman
Town of Edwards, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Edwards, Mississippi (the Town), as of and for the year ended September 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these 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 *Governmental 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Edwards, Mississippi, as of September 30, 2006, and the respective changes in financial position, cash flows and budgetary comparison for the General Fund, and the Major Special Revenue Fund, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2007, on our consideration of the Town of Edwards, Mississippi'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 the *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1, the Town has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *general-purpose financial Statements and management's Discussion and Analysis for State and Local Governments*, as of September 30, 2006.

Management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurements and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Edwards, Mississippi basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Banks, Finley, White & Co.

February 2, 2007

TOWN OF EDWARDS, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2006

This section of the Town of Edward's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended September 30, 2006. Because the Town is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will provide additional explanations of the Town's financial position and results of operations.

OVERVIEW OF FINANCIAL STATEMENTS

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

GOVERNMENT - WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The Town report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the Town's assets (including infrastructure acquired after July 1, 1980) and all of the Town'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 public safety, culture, recreation, public works and general administration are reported as governmental activities. The governmental activities are financed by taxes, license and permit fees, intergovernmental sources, and utility franchise arrangements.
- ◆ **Business - Type Activities** - Expenses associated with providing utility 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 these services are reported as business type activities.

FUND FINANCIAL STATEMENTS

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

TOWN OF EDWARDS, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2006

- ◆ **Proprietary Fund** - These funds are used to account for activities that function in a manner similar to commercial enterprises. 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 TOWN AS A WHOLE

Because the Town is implementing new reporting standards for this fiscal year with significant changes in content and structure, the following table present only current year data. In future years, comparative analysis of government-wide data will be presented.

NET ASSETS

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

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>Assets:</u>			
Current and other assets	\$ 80,358	75,954	\$ 156,312
Capital assets	<u>192,778</u>	<u>2,487,351</u>	<u>2,680,129</u>
Total Assets	<u>\$ 273,136</u>	<u>2,563,305</u>	<u>\$ 2,836,441</u>
<u>Liabilities:</u>			
Current and other liabilities	\$ 68,921	87,633	\$ 156,554
Long-term liabilities	<u>27,735</u>	<u>429,814</u>	<u>457,549</u>
Total Liabilities	<u>\$ 96,656</u>	<u>517,447</u>	<u>\$ 614,103</u>
<u>Net Assets:</u>			
Invested in capital assets (net)	\$ 192,778	2,003,020	\$ 2,195,798
Restricted	-	33,625	33,625
Unrestricted	<u>(16,298)</u>	<u>9,213</u>	<u>(7,085)</u>
Total Net Assets	<u>\$ 176,480</u>	<u>2,045,858</u>	<u>\$ 2,222,338</u>

As the presentation appearing above demonstrates, the largest portion of the Town's net assets (71%) are invested in capital assets. Net assets invested in capital assets consist of land, buildings, equipment, and any infrastructure acquired after September 30, 2006 less any debt used to acquire assets that remains outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

TOWN OF EDWARDS, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2006

An additional portion of the net assets (.53%) represent resources that are subject to restrictions that are imposed by agreements with the Town's bondholders or requirements imposed by various revenue sources. The remaining unrestricted net assets (.47%) may be used to meet the Town's ongoing obligations to citizens and creditors.

CHANGES IN NET ASSETS

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

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Revenues:			
Program Revenue:			
Charges for services	\$ 41,806	283,532	\$ 325,338
Operating grants and contributions	18,212	18,796	37,008
Capital grants and contributions	293,069	348,500	641,569
General Revenue:			
Property taxes	158,786	-	158,786
Sales taxes	65,893	-	65,893
Franchise taxes	26,017	-	26,017
Licenses and permits	4,555	-	4,555
Interest earnings	17	-	17
Fines and forfeits	10,160	-	10,160
Other	<u>15,636</u>	<u>20,058</u>	<u>35,694</u>
Total Revenue	<u>634,151</u>	<u>670,886</u>	<u>1,305,037</u>
 <u>Program Expenses:</u>			
General Government			
Finance & administrative	121,092	-	121,092
Judicial	6,081	-	6,081
Public Safety			
Police protection	154,661	-	154,661
Public Works			
Streets	231,812	-	231,812
Water/sewer	-	<u>335,552</u>	<u>335,552</u>
Total Expenses	<u>513,646</u>	<u>335,552</u>	<u>849,198</u>

TOWN OF EDWARDS, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2006

	<u>Govern- mental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Increase in Net Assets Before Transfers and Special Items	\$ 120,505 <u>(1,690)</u>	335,334 <u>-</u>	\$ 455,839 <u>(1,690)</u>
Change in Net Assets	118,815	335,334	454,149
Net Assets Beginning	9,603	1,706,517	1,716,120
Prior period adjustment	<u>850</u>	<u>4,007</u>	<u>4,857</u>
Net Assets Ending	<u>\$ 129,268</u>	<u>2,045,858</u>	<u>\$ 2,175,126</u>

Governmental activities decreased the Town's net assets by \$23,037. The increase is attributable to a increase in government spending.

Business-type activities operated profitably; however, business-type net assets have decreased by \$28,328 due to transfers to support governmental activities.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

The Town's governmental funds reported combined fund balances of \$176,480, which represents a decrease of \$(25,414) in comparison to the previous balance. In addition, the Town's general fund, which is available for spending at the Town's discretion, reported a fund balance of \$18,053.

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

GENERAL FUND BUDGET HIGHLIGHTS

The Town's general fund is required to adopt a budget. The budget is amended as necessary and appropriations increased as a result of the rising cost described in the preceding section.

TOWN OF EDWARDS, MISSISSIPPI
 Management's Discussion and Analysis
 September 30, 2006

CAPITAL ASSET ADMINISTRATION

Capital asset activity for the year ended September 30, 2006 is summarized as follows:

The town acquire the following additional capital assets during the year.

	Governmental Activities	Business Type Activities	Total
<u>Additions:</u>			
Utility System Improvements	\$ -	348,500	\$ 348,500
Total Additions	-	348,500	348,500
Depreciation	-	8,713	8,713
Net Increase (Decrease)	\$ -	339,787	\$ 339,787

Highlights of the Town's capital asset administration are provided as follows:

- Utility system improvements were limited to replacing worn out and obsolete components of the Town's utility system.

DEBT ADMINISTRATION

The Town issue the following new debt during the year.

New debt was limited to executing two (2) separate working capital loan with BancorpSouth in the amount of \$20,000 and \$45,338 respectively, for the town's General Fund.

New debt was limited to executing a note payable with BanCorp South in the amount of \$20,000 for a working capital loan for the Enterprise Fund.

TOWN OF EDWARDS, MISSISSIPPI
Statement of Net Assets
For the Year Ended September 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 26,119	14,513	\$ 40,632
Cash, time deposits	20,009	-	20,009
Accounts receivable, net	20,438	24,443	44,881
Other receivables	6,158	-	6,158
Intergovernmental receivables	5,044	-	5,044
Due from other funds	2,590	7,673	10,263
Restricted Assets:			
Cash and cash equivalents	-	29,325	29,325
Capital Assets:			
Land	12,421	13,500	25,921
Buildings	145,416	-	145,416
Automotive and equipment	2,228	-	2,228
Infrastructure	32,713	2,473,851	2,506,564
TOTAL ASSETS	<u>\$ 273,136</u>	<u>2,563,305</u>	<u>\$ 2,836,441</u>
LIABILITIES			
Accounts payable, general	\$ 31,791	11,585	\$ 43,376
Accrued interest payable	-	7,436	7,436
Customer's deposits	-	30,929	30,929
Due to other funds	7,673	2,590	10,263
Noncurrent liabilities:			
Due within one year	29,457	35,093	64,550
Due in more than one year	27,735	429,814	457,549
Total Liabilities	<u>96,656</u>	<u>517,447</u>	<u>614,103</u>
Net ASSETS:			
Investment in capital assets, net of related debt	192,778	2,003,020	2,195,798
Restricted for:			
Debt service	-	33,625	33,625
Unreserved undesignated	(16,298)	9,213	(7,085)
Total Net Assets	<u>176,480</u>	<u>2,045,858</u>	<u>2,222,338</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 273,136</u>	<u>2,563,305</u>	<u>\$ 2,836,441</u>

The Accompanying Notes are an integral part of these Financial Statements.

TOWN OF EDWARDS, MISSISSIPPI
Statement of Activities
For the Year Ended September 30, 2006

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues</u>		<u>Business-Type Activities</u>	<u>Total</u>
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>		
Primary Government:							
Governmental activities:							
Administration	\$ 121,092	-	3,901	293,069	175,878	-	\$ 175,878
Judicial	6,081	-	-	-	(6,081)	-	(6,081)
Public safety	154,661	-	14,311	-	(140,350)	-	(140,350)
Public works	231,812	41,806	-	-	(190,006)	-	(190,006)
Economic development	145,566	-	-	-	(145,566)	-	(145,566)
Total governmental activities	<u>659,212</u>	<u>41,806</u>	<u>18,212</u>	<u>293,069</u>	<u>(306,125)</u>	<u>-</u>	<u>(306,125)</u>
Business-type activities:							
Water/Sewer	<u>335,552</u>	<u>283,532</u>	<u>18,796</u>	<u>348,500</u>	<u>-</u>	<u>315,276</u>	<u>315,276</u>
Total Business-type activities	<u>335,552</u>	<u>283,532</u>	<u>18,796</u>	<u>348,500</u>	<u>-</u>	<u>315,276</u>	<u>315,276</u>
Total Primary Government	<u>\$ 994,764</u>	<u>325,338</u>	<u>37,008</u>	<u>641,569</u>	<u>(306,125)</u>	<u>315,276</u>	<u>\$ 9,151</u>
General Revenues:							
Property taxes					\$ 158,786	-	\$ 158,786
Sales taxes					65,893	-	65,893
Franchise taxes					26,017	-	26,017
Fines and report fees					10,160	-	10,160
License and permits					4,555	-	4,555
Miscellaneous					15,636	20,058	35,694
Unrestricted investment earnings					17	-	17
Transfers					(1,690)	-	(1,690)
Total general revenues, special items, and transfers					<u>279,374</u>	<u>20,058</u>	<u>299,432</u>
Change in net assets					(26,751)	335,334	308,583
Net Assets - Beginning					9,603	1,706,517	1,716,120
Prior period adjustments					850	4,007	4,857
Net Assets - Ending					<u>\$ (16,298)</u>	<u>2,045,858</u>	<u>\$ 2,029,560</u>

The Accompanying Notes are an integral part of these Financial Statements.

TOWN OF EDWARDS, MISSISSIPPI
 Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
 to Net Assets of Governmental Activities on
 the Statement of Net Assets
 For the Year Ended September 30, 2006

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

Total Fund Balances - Governmental Funds	\$	40,893
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		151,921
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(16,334)</u>
Change in net assets of governmental activities	\$	<u>176,480</u>

The Accompanying Notes are an intergral part of these Financial Statements.

TOWN OF EDWARDS, MISSISSIPPI
 Balance Sheet
 Governmental Funds
 For the year Ended September 30, 2006

	General Fund	Community Development Block Grant	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 3,279	-	22,840	\$ 26,119
Cash, time deposits (Note 2)	20,009	-	-	20,009
Accounts receivable, net of allowances	20,438	-	-	20,438
Other receivables	6,158	-	-	6,158
Intergovernmental receivable	5,044	-	-	5,044
Due from other funds	2,590	-	-	2,590
TOTAL ASSETS	<u>\$ 57,518</u>	<u>-</u>	<u>22,840</u>	<u>\$ 80,358</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable, general	\$ 31,792	-	-	\$ 31,792
Due to other funds	7,673	-	-	7,673
Total Liabilities	<u>39,465</u>	<u>-</u>	<u>-</u>	<u>39,465</u>
Fund Balance				
Unreserved, reported in				
General fund	18,053	-	-	18,053
Special revenue fund	-	-	22,840	22,840
Total Fund Equity	<u>18,053</u>	<u>-</u>	<u>22,840</u>	<u>40,893</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 57,518</u>	<u>-</u>	<u>22,840</u>	<u>\$ 80,358</u>

The Accompanying Notes are an integral part of these Financial Statements.

TOWN OF EDWARDS, MISSISSIPPI
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended September 30, 2006

	General Fund	Community Development Block Grant	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
General property taxes	\$ 158,786	-	-	\$ 158,786
Privilege licenses and permits	4,555	-	-	4,555
Intergovernmental revenues	72,574	293,069	6,850	372,493
Franchise taxes	26,017	-	-	26,017
Charges for services	41,806	-	-	41,806
Fines and report fees	10,160	-	-	10,160
Interest income	5	-	12	17
Miscellaneous	20,317	-	-	20,317
Total Revenues	<u>334,220</u>	<u>293,069</u>	<u>6,862</u>	<u>634,151</u>
EXPENDITURES:				
General Government:				
Administration	115,764	24,023	-	139,787
Judicial	6,081	-	-	6,081
Public safety	159,886	-	-	159,886
Public works	83,071	-	-	83,071
Community development	-	136,543	-	136,543
Debt services:				
Principal	12,834	-	-	12,834
Interest and service charges	1,342	-	-	1,342
Capital outlay:				
General government	-	132,503	-	132,503
TOTAL EXPENDITURES	<u>378,978</u>	<u>293,069</u>	<u>-</u>	<u>672,047</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(44,758)</u>	<u>-</u>	<u>6,862</u>	<u>(37,896)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from bank loan	65,000	-	-	65,000
Operating transfers in	-	-	-	-
Operating transfers out	(1,690)	-	-	(1,690)
TOTAL OTHER FINANCING SOURCES (USES)	<u>63,310</u>	<u>-</u>	<u>-</u>	<u>63,310</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	18,552	-	6,862	25,414
FUND BALANCE, OCT. 1	(499)	-	15,978	15,479
FUND BALANCE, SEPT. 30	<u>\$ 18,053</u>	<u>-</u>	<u>22,840</u>	<u>\$ 40,893</u>

The Accompanying Notes are an integral part of these Financial Statements.

TOWN OF EDWARDS, MISSISSIPPI
Reconciliation of the Statement of Revenues
Expenditures, and Changes in Net Assets Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2006

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

Net change in net asset balances - total governmental funds	\$12,213
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(28,511)</u>
Change in net assets of governmental activities	\$ <u>(16,298)</u>

The Accompanying Notes are an intergral part of these Financial Statements.

TOWN OF EDWARDS, MISSISSIPPI
General Fund
Statement of Revenues, Expenditures, and Changes in Net Assets - Budget and Actual
For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 142,586	159,551	158,786	\$ (765)
Privilege licenses and permits	23,100	4,555	4,555	-
Intergovernmental revenues	72,100	82,648	72,574	(10,074)
Franchise taxes	-	24,043	26,017	1,974
Charges for services	42,515	39,508	41,806	2,298
Fines and report fees	2,000	10,521	10,160	(361)
Interest	3	5	5	-
Miscellaneous	2,600	4,075	20,317	16,242
TOTAL REVENUES	<u>284,904</u>	<u>324,906</u>	<u>334,220</u>	<u>9,314</u>
OPERATING DISBURSEMENTS:				
General Government				
Administration	109,429	127,673	115,764	11,909
Judicial	6,532	6,081	6,081	-
Public Safety				
Police protection	120,188	165,415	159,886	5,529
Public Works				
Streets improvements	83,083	83,072	83,071	1
Debt service	-	-	14,176	(14,176)
Total Expenditures	<u>319,232</u>	<u>382,241</u>	<u>378,978</u>	<u>3,263</u>
Excess of Revenues Over (Under) Expenditures	<u>(34,328)</u>	<u>(57,335)</u>	<u>(44,758)</u>	<u>12,577</u>
Other Financing Sources:				
Operating transfers in	-	-	-	-
Operating transfer out	-	-	(1,690)	(1,690)
Sale of real property/equipment	1,000	5,612	-	(5,612)
Proceeds from bank loan	33,328	65,000	65,000	-
Total Other Financing Sources	<u>34,328</u>	<u>70,612</u>	<u>63,310</u>	<u>(7,302)</u>
Excess of Revenues & Other Sources Over(Under) Expenditures and Other Uses	<u>-</u>	<u>13,277</u>	<u>18,552</u>	<u>5,275</u>
Fund Balance at beginning of year	<u>-</u>	<u>92,168</u>	<u>62,931</u>	<u>29,237</u>
Fund Balance at end of year	<u>\$ -</u>	<u>105,445</u>	<u>81,483</u>	<u>\$ 34,512</u>

The Accompanying Notes are an integral part of these Financial Statements.

TOWN OF EDWARDS, MISSISSIPPI
Major Special Revenue Fund
Community Development Block Grant
Statement of Revenues, Expenditures, and Changes in Net Assets - Budget and Actual
For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental revenues	\$ 202,934	293,069	293,069	\$ -
Interest income	137	-	-	-
TOTAL REVENUES	<u>203,071</u>	<u>293,069</u>	<u>293,069</u>	<u>-</u>
OPERATING DISBURSEMENTS:				
General Government				
Administration	14,978	24,023	24,023	-
Community development	188,093	269,046	269,046	-
Total Expenditures	<u>203,071</u>	<u>293,069</u>	<u>293,069</u>	<u>-</u>
Excess of Revenues Over (Under)				
Expenditures	-	-	-	-
Fund Balance at beginning of year	-	-	-	-
Fund Balance at end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>

The Accompanying Notes are an intergral part of these Financial Statements.

TOWN OF EDWARDS, MISSISSIPPI
Statement of Net Assets
Proprietary Fund
For the Year Ended September 30, 2006

	<u>Business Type Activities - Enterprise Funds</u>		<u>Totals</u>
	<u>Water/Sewer Fund</u>	<u>Nonmajor Enterprise Funds</u>	
Assets			
Cash and cash equivalents	\$ 14,513	-	\$ 14,513
Accounts receivable, net of allowances	24,443	-	24,443
Due from other funds	<u>7,673</u>	<u>4,300</u>	<u>11,973</u>
Total Current Assets	<u>46,629</u>	<u>4,300</u>	<u>50,929</u>
Restricted Assets:			
Cash and cash equivalents	<u>-</u>	<u>29,325</u>	<u>29,325</u>
Property, plant and Equipment, at Cost			
Land	13,500	-	13,500
Buildings	-	-	-
Water plant, distribution system and equipment	<u>2,608,087</u>	<u>-</u>	<u>2,608,087</u>
	2,621,587	-	2,621,587
Less: accumulated depreciation	<u>(134,236)</u>	<u>-</u>	<u>(134,236)</u>
Net property, plant and equipment	<u>2,487,351</u>	<u>-</u>	<u>2,487,351</u>
Total Assets	<u>\$ 2,533,980</u>	<u>33,625</u>	<u>\$ 2,567,605</u>
Liabilities and Net Assets			
Accounts payable	\$ 11,585	-	\$ 11,585
Due to other funds	6,890	-	6,890
Notes payable	<u>1,712</u>	<u>-</u>	<u>1,712</u>
Total Current Liabilities	<u>20,187</u>	<u>-</u>	<u>20,187</u>
Current Liabilities Payable from Restricted Assets:			
Customer deposits	30,929	-	30,929
Accrued interest payable	7,436	-	7,436
Current portion of revenue bonds payable	<u>33,381</u>	<u>-</u>	<u>33,381</u>
Total Current Liabilities Payable from Restricted Assets	<u>71,746</u>	<u>-</u>	<u>71,746</u>
Long-Term Debt (less amounts classified as current)			
Revenue bonds(net of unamortized discount/ premium)	<u>429,814</u>	<u>-</u>	<u>429,814</u>
Total Long-Term Debt	<u>429,814</u>	<u>-</u>	<u>429,814</u>
Total Liabilities	<u>521,747</u>	<u>-</u>	<u>521,747</u>
Net Assets			
Investment in Capital Assets, net of related debt	2,003,020	-	2,003,020
Restricted for debt service	-	33,625	33,625
Unrestricted	<u>9,213</u>	<u>-</u>	<u>9,213</u>
Total Net Assets	<u>2,012,233</u>	<u>33,625</u>	<u>2,045,858</u>
Total Liabilities and Net Assets	<u>\$ 2,533,980</u>	<u>33,625</u>	<u>\$ 2,567,605</u>

The Accompanying Notes are an integral part of these Financial Statements.

TOWN OF EDWARDS, MISSISSIPPI
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended September 30, 2006

	<u>Business -Type Activities - Enterprise Funds</u>		
	<u>Water/Sewer Fund</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
Operating Revenues:			
Sales to customers	\$ 283,532	-	\$ 283,532
Intergovernmental	<u>18,796</u>	<u>-</u>	<u>18,796</u>
Total Operating Revenues	<u>302,328</u>	<u>-</u>	<u>302,328</u>
Operating Expenses:			
Personnel services	46,596	-	46,596
Supplies	2,340	-	2,340
Other services and charges	177,625	34,093	230,796
Provision for bad debt	19,078	-	19,078
Depreciation	<u>48,842</u>	<u>-</u>	<u>48,842</u>
Total Operating Expenses	<u>294,481</u>	<u>34,093</u>	<u>328,574</u>
Operating income (loss)	<u>7,847</u>	<u>(34,093)</u>	<u>(26,246)</u>
Nonoperating revenues			
Contribution from federal grant	348,500	-	348,500
Other income	20,058	-	20,058
Interest and service charges on long-term debt	<u>(6,978)</u>	<u>-</u>	<u>(6,978)</u>
Total nonoperating revenues	<u>361,580</u>	<u>-</u>	<u>361,580</u>
Net Income Before Operating Transfers	369,427	(34,093)	335,334
Operating Transfers In	-	51,600	51,600
Operating Transfers (Out)	<u>(51,600)</u>	<u>-</u>	<u>(51,600)</u>
Net Income (loss)	<u>317,827</u>	<u>17,507</u>	<u>335,334</u>
Retained Earnings October 1	<u>1,694,406</u>	<u>12,111</u>	<u>1,706,517</u>
Prior period adjustment	-	4,007	4,007
Retained Earnings as restated	<u>1,694,406</u>	<u>16,118</u>	<u>1,710,524</u>
Retained Earnings/Fund Balance September 30	<u>\$ 2,012,233</u>	<u>33,625</u>	<u>\$ 2,045,858</u>

The Accompanying Notes are an intergral part of these Financial Statements.

TOWN OF EDWARDS, MISSISSIPPI
Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended September 30, 2006

	Business - Type Activities Enterprise Fund		Total
	Water/Sewer Fund	Nonmajor Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 291,713	-	\$ 291,713
Payments to suppliers	(209,966)	(34,093)	(244,059)
Payments to employees	(46,596)	-	(46,596)
Net cash provided by (used for) operating activities	35,151	(34,093)	1,058
 (Increase) Decrease in:			
Accounts receivable	9,904	-	9,904
Cash, time deposits	(5,600)	-	(5,600)
Due from other funds	9,426	816	10,242
 Increase (Decrease) in:			
Accounts payable	(2,435)	-	(2,435)
Due to other funds	(13,842)	-	(13,842)
Sale taxes payable	(38)	-	(38)
Customer's deposits	3,485	-	3,485
Accrued interest payable	(88)	-	(88)
NET CASH PROVIDED BY OPERATING ACTIVITIES	812	816	1,628
 CASH FLOWS USED FOR NONCAPITAL FINANCING ACTIVITIES:			
Operating transfers in	-	51,600	51,600
Operating transfers out	(51,600)	-	(51,600)
Prior period adjustment	-	4,007	4,007
NET CASH FLOWS USED FOR NONCAPITAL ACTIVITIES	(51,600)	55,607	4,007
 CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property and equipment	(348,500)	-	(348,500)
Capital contribution - federal grant	348,500	-	348,500
Other investing activities	28,067	-	28,067
NET CASH FLOWS USED IN INVESTING ACTIVITIES	28,067	-	28,067
 CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long term borrowingt	20,000	-	20,000
Interest paid on retirement of long-term debt	(6,978)	-	(6,978)
Other income	20,057	-	20,057
Repayment of long-term debt	(31,870)	-	(31,870)
NET CASH FLOWS USED BY FINANCING ACTIVITIES	1,209	-	1,209
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,639	22,330	35,969
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	874	6,995	7,869
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 14,513	29,325	\$ 43,838
 Supplemental cash flow information:			
Cash paid during the year:			
Interest expense	\$ 7,066	-	\$ 7,066

The Accompanying Notes are an intergral part of these Financial Statements.

TOWN OF EDWARDS, MISSISSIPPI
Notes to the Financial Statements
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Edwards, Mississippi (the Town) was incorporated under the provisions of Mississippi Law. The Town is governed by its Mayor and a Board of Aldermen consisting of five members. Services provided to the citizens of Edwards include but are not limited to public safety (police and fire protection), streets, recreation, and utility services (water and sewer).

The Town's accompanying policies conform to generally accepted accounting principals for governmental units. The preparation of financial statements 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. Some of the Town's more significant accounting policies are described as follows:

FINANCIAL REPORTING ENTITY

The accompanying financial statements reflect only the primary government of the Town of Edwards. The primary government includes only those funds, organizations, institutions, agencies, departments, and offices that are not legally separate from the Town. The financial statements do not include the data of the component units necessary for general purpose financial reporting in conformity with generally accepted accounting principles.

GENERAL-PURPOSE FINANCIAL STATEMENTS

The general-purpose 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:

1. Governmental activities involve government services that are normally supported by taxes and intergovernmental revenues.
2. Business-type activities rely on fees and charges for support and operate in a manner similar to private sector enterprises. 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 (FASB) for business enterprises. However, the Town only applies those FASB pronouncement that were issued on or before November 30, 1989.

The government-wide and fund financial statements present the Town'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 Town as 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.

TOWN OF EDWARDS, MISSISSIPPI
Notes to the Financial Statements
September 30, 2006

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 business-type (enterprise) 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 Town's major funds are described as follows:

MAJOR GOVERNMENTAL FUNDS

General Fund - The general fund is the primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Community Development Block Grant Fund - The fund is a special revenue fund used to account for the grant funds that are restricted for constructing, paving, resurfacing, improving and maintaining public streets, sidewalks and bridges.

MAJOR BUSINESS - TYPE FUNDS

Water System - The water system fund is used to account for the operation of the Town's water system, which are supported by user charges.

Sewer System - The sewer system fund is used to account for the operation of the Town's sewer system, which are supported by user charges and special taxes.

Business-Type funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with the funds ongoing operations. Principal operating revenues are charges to customers for water and sewer service.

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 financial statements. Basis of accounting relates to the timing of the measurement 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

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.

TOWN OF EDWARDS, MISSISSIPPI
Notes to the Financial Statements
September 30, 2006

Under the modified accrual basis of accounting 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 or if it is due under cost reimbursement arrangement. In addition, expenses are generally recorded when a liability has been incurred; however, debt service, claims and judgments 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.

BUDGETARY CONTROL

The Town Charter establishes the fiscal year as the twelve-month period beginning October 1. The procedures detailed below are followed in establishing the budgetary data reflected in the financial statements.

The Town Clerk and Mayor prepare a proposed budget based on an estimate of the revenues expected to be received in the next fiscal year and submits the proposal to the Board of Aldermen. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is set.

A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.

As required by state law, the budgets are amended whenever projected revenue fails to meet original expectations or when projected expenditures exceed original expectations. Budgetary amounts are presented as amended and all budgetary appropriations lapse at the end of the fiscal year.

CASH AND CASH EQUIVALENTS

The Town deposits excess funds in financial institutions selected by the board. State statutes specify how these depositories are to be selected.

Cash and cash equivalents consists of amounts on deposit in demand accounts and savings accounts. Cash and other deposits are valued at cost.

TOWN OF EDWARDS, MISSISSIPPI
Notes to the Financial Statements
September 30, 2006

INTERNAL ACTIVITY

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without expectation of repayment, the transaction is reported as a transfer. Transfers are treated as a source of income by the recipient and as an expense or expenditure by the provider. If repayment is eventually expected to occur, interfund receivables and payables are recorded.

In preparing the government-wide financial statement, transfers are eliminated to present net transfers for governmental activities and business-type activities. In addition, interfund receivables and payables are eliminated to present a net internal balance for each type of activity.

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. Whenever restricted assets can be used to satisfy an obligation, the restricted assets are typically consumed before utilizing any unrestricted resources.

Capital Assets - Capital assets, which include property, equipment and infrastructure acquired after October 1, 2003, are reported as assets in the applicable governmental or business-type columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Assets reported in the fund financial statements for governmental funds exclude capital assets. Instead, the governmental funds report the acquisition of capital assets as expenditures rather than asset acquisitions.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value when received by the Town.

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Land Improvements	20
Heavy machinery and equipment	5-15
Computer equipment	3
Vehicles	3-10
Infrastructure	8-50

Interest is capitalized on proprietary funds assets constructed with the proceeds of tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on investment proceeds over the same period.

Compensated Absences - The Town does not accumulate unpaid vacation, sick pay, and other employee benefit amounts because employees are not allowed to carry over significant amounts.

TOWN OF EDWARDS, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

Use of Estimates - The preparation of financial statements 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.

NOTE 2 - CASH AND CASH EQUIVALENTS

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, Mississippi 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 the Federal Depository Insurance Corporation (FDIC).

The carrying amount of the Town's deposits with financial institutions in the governmental activities and the business-type activities funds was \$46,128 and \$43,838, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$60,641 and Restricted Assets - \$29,325. The Restricted Assets represent the cash balance in the debt service fund which is legally restricted and may not be used for purposes that support the Town's programs. The bank balance was \$95,437.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a failure of a financial institutions, the town will not be able to recover deposits or collateral securities that are in the possession of an outside party. The town does not have a formal policy for custodial credit risk. However, the Mississippi State Treasury manages the risk on behalf of the town. deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of September 30, 2006, none of the town's bank balance of \$95,437 was exposed to custodial credit risk.

Interest Rate Risk. The town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The town does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The town does not have a formal investment policy that addresses custodial credit risk. However, the Mississippi State Treasurer manages the risk on behalf of the Town. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the Town. As of September 30, 2006, none of the Town's bank balance of \$95,437 was exposed to custodial credit risk.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of September 30, 2006, the town had no investments.

TOWN OF EDWARDS, MISSISSIPPI
Notes to the Financial Statements
September 30, 2006

NOTE 3 - AD VALOREM TAXES

Ad valorem taxes are assessed on a calendar year basis and are due on or before December 31 in the year in which the tax is levied. Property taxes are recognized when the revenue is measurable and available. Available means due or past due and collected no longer than 60 days after the close of the current period. For the year ended September 30, 2006, the Town levied and collected 30.00 mills of taxes for general corporate purposes of the Town.

NOTE 4 - INTERFUND BALANCES AND TRANSFERS

Individual fund interfund receivable and payable balances are presented as of September 30, 2006 as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ -	\$ 10,263
Water/Sewer System Fund	10,263	-
Nonmajor enterprise funds	-	-
Total	<u>\$ 10,263</u>	<u>\$ 10,263</u>

NOTE 5 - RECEIVABLES

Receivables at September 30, 2006 consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>Accounts Receivable</u>		
Charges for services	\$ 4,622	\$ 33,716
Franchise taxes	6,158	-
Property taxes	17,149	-
Accounts receivable, other	2,590	-
Total Accounts Receivable	<u>30,519</u>	<u>33,716</u>
<u>Due From Other Governments</u>		
Sales Taxes	<u>5,044</u>	<u>-</u>
Total due from other governments	<u>5,044</u>	<u>-</u>
Less: allowance for uncollectibles	<u>(1,332)</u>	<u>(9,440)</u>
Receivables, net of allowance	<u>\$ 34,231</u>	<u>\$ 24,276</u>

TOWN OF EDWARDS, MISSISSIPPI
Notes to the Financial Statements
September 30, 2006

NOTE 6 - FIXED ASSETS

A summary of general fixed asset transactions for the year ended September 30, 2006 follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Non Depreciable Capital Assets				
Land	\$ 12,421	-	-	\$ 12,421
Total non depreciable capital assets	<u>12,421</u>	<u>-</u>	<u>-</u>	<u>12,421</u>
Depreciable Capital Assets				
Buildings and Improvements	241,742	-	-	241,742
Infrastructure	18,693	-	-	18,693
Motor Vehicles	19,941	-	-	19,941
Machinery and Equipment	6,076	-	-	6,076
Accumulated Depreciation	<u>(127,362)</u>	<u>(8,641)</u>	<u>-</u>	<u>(136,003)</u>
Total depreciable capital assets	<u>159,090</u>	<u>(8,641)</u>	<u>-</u>	<u>150,449</u>
Total Governmental Activities	<u>\$ 171,511</u>	<u>(8,641)</u>	<u>-</u>	<u>\$ 162,870</u>
Business-Type Activities:				
Non Depreciable Capital Assets				
Land and Right of Ways	\$ 13,500	-	-	\$ 13,500
Total nondepreciable capital assets	<u>13,500</u>	<u>-</u>	<u>-</u>	<u>13,500</u>
Depreciable Capital Assets				
Water/sewer system	2,259,587	-	-	2,259,587
Accumulated Depreciation	<u>(85,394)</u>	<u>(48,842)</u>	<u>-</u>	<u>(134,236)</u>
Net depreciable capital assets	<u>2,174,193</u>	<u>(48,842)</u>	<u>-</u>	<u>2,125,351</u>
Total Business-Type Activities	<u>\$2,187,693</u>	<u>(48,842)</u>	<u>-</u>	<u>\$2,138,851</u>

Depreciation expense charged to various functions presented on the statement of activities is presented as follows:

	Governmental Activities	Business-Type Activities	Total
Finance & Administrative	\$ 7,426	-	\$ 7,426
Public Works	1,215	-	1,215
Water/Sewer System	-	48,842	48,842
Total Depreciation Expense	<u>\$ 8,641</u>	<u>48,842</u>	<u>\$ 57,483</u>

TOWN OF EDWARDS, MISSISSIPPI
Notes to the Financial Statements
September 30, 2006

NOTE 7 - LONG-TERM DEBT

A summary of long-term debt transactions for the year ended September 30, 2006, were as follows:

Governmental activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Loans payable	\$ -	65,338	(12,834)	\$ 52,504	\$ 24,782
Compensated for absences	<u>5,877</u>	<u>7,425</u>	<u>(8,627)</u>	<u>4,675</u>	<u>4,675</u>
Totals	<u>\$ 5,877</u>	<u>72,763</u>	<u>(21,461)</u>	<u>\$ 57,179</u>	<u>\$ 29,457</u>

Long-term debt activity for the year ended September 30, 2006, is presented as follows:

Business-type activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds and loans payable					
Loans payable	\$ 1,677	20,000	(9,805)	\$ 11,872	\$ 10,160
Revenue bonds	<u>475,100</u>	<u>-</u>	<u>(22,065)</u>	<u>453,035</u>	<u>22,923</u>
Totals	<u>\$ 476,777</u>	<u>20,000</u>	<u>(31,870)</u>	<u>\$ 464,907</u>	<u>\$ 33,083</u>

BANK NOTES PAYABLE

GOVERNMENTAL ACTIVITIES

Notes payable consist of the following at September 30, 2006.

A 5.00% note, payable to Bancorp South, dated May 23, 2006 payable in monthly installments of \$1,360.32, which includes principal and interest, matures April 23, 2009. The note is unsecured.-

The annual requirement to amortize this outstanding debt as of September 30, 2006 including interest payments of \$12,213 are as follows:

Year Ended September 30,	<u>Principal</u>	<u>Interest</u>
2007	\$ 14,621	\$ 1,702
2008	15,369	955
2009	<u>10,632</u>	<u>200</u>
	<u>\$ 40,622</u>	<u>\$ 2,857</u>

A 4.420% note, payable to Bancorp South, dated November 14, 2005 payable in monthly installments of \$873.40, which includes principal and interest, matures November 15, 2007. The note is unsecured.

TOWN OF EDWARDS, MISSISSIPPI
Notes to the Financial Statements
September 30, 2006

The annual requirement to amortize this outstanding debt as of September 30, 2006 including interest payments of \$12,213 are as follows:

Year Ended September 30,	<u>Principal</u>	<u>Interest</u>
2007	\$ 10,160	\$ 321
2008	<u>1,722</u>	<u>10</u>
	<u>\$ 11,882</u>	<u>\$ 331</u>

BUSINESS ACTIVITIES

A 4.420% note, payable to Bancorp South, dated November 14, 2005 payable in monthly installments of \$873.40, which includes principal and interest, matures November 15, 2007. The note is unsecured.

The annual requirement to amortize this outstanding debt as of September 30, 2006 including interest payments of \$12,213 are as follows:

Year Ended September 30,	<u>Principal</u>	<u>Interest</u>
2007	\$ 10,160	\$ 321
2008	<u>1,722</u>	<u>10</u>
	<u>\$ 11,882</u>	<u>\$ 331</u>

REVENUE BOND

- A. On April 15, 1985, the Town of Edwards issued a Combined Water and Sewer System Revenue Bond (the "Bond") of the Town of Edwards, Mississippi (the "Municipality"), in the principal amount of five hundred forty five thousand dollars (\$545,000), dated the date of delivery thereof, April 15, 1985, bearing interest at the rate of 5% per annum and being payable as to interest only on the 15th day of April in each of the years 1986 and 1987, and being payable as to principal and interest in equal annual installments of \$29,450 on the 15th day of April in each of the years 1988 to 2020, inclusive.

The bond was issued for the purpose of improving, repairing and extending the combined water and sewer system of the Municipality, under the authority of the Constitution and statutes of the State of Mississippi, including Sections 21-27-11 to 21-27-69 Mississippi Code of 1972 and by further authority of resolutions duly adopted and proceedings regularly had by the Mayor and Board of Aldermen of the Town of Edwards.

TOWN OF EDWARDS, MISSISSIPPI
Notes to the Financial Statements
September 30, 2006

This bond was purchased by the USDA Rural Development.

The annual requirement to amortize all bonded debt outstanding as of September 30, 2006 including interest payments of \$323,111 are as follows:

Year Ended September 30,	Principal	Interest
2007	\$ 17,497	\$ 16,565
2008	18,350	15,712
2009	19,335	14,728
2010	20,326	13,736
2011	21,369	12,694
2012 to 2020	226,234	57,636
	<u>\$ 323,111</u>	<u>\$ 131,071</u>

- B. On January 23, 1991, the Town of Edwards issue a combined water and sewer system revenue bond (the "Bond") of the Town of Edwards, Mississippi (the "Municipality"), in the principal amount of one hundred sixty eight thousand five hundred dollars (\$168,500), dated the date of delivery thereof, January 23, 1991. The water revenue bond consisted of an issue in the amount of \$168,500 bearing interest at a rate of 6.00% per annum. Principal payments with interest on the unpaid principal balance from date thereof, and paid in equal annual installments of principal and interest in the amount of \$986.85. The payments began on February 23, 1991 and continues through 2026.

The bonds were issued for the purpose of improving, repairing and extending the combined water and sewer system of the Municipality, under the authorization of the Constitution and statutes of the State of Mississippi, including sections 21-27-11 to 21-27-69 Mississippi Code of 1972 and further authority of resolutions duly adopted and proceedings regularly had by the Mayor and Board of Aldermen of the Town of Edwards.

The bonds were purchased by the U.S. Department of Agriculture and the Rural Economic and Community Development.

The annual requirement to amortize the bonded debt outstanding as of September 30, 2006 including interest payments of \$129,626 are as follows for the Enterprise Fund:

Year Ended September 30,	Principal	Interest
2007	\$ 5,426	\$ 6,417
2008	5,686	6,156
2009	5,995	5,847
2010	6,303	5,540
2011	6,626	5,217
2012 to 2026	99,590	27,121
	<u>\$ 129,626</u>	<u>\$ 56,298</u>

TOWN OF EDWARDS, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE 8 - DEFINED BENEFIT PENSION PLANS

Substantially all Town full-time employees participates in PERS, a multi-employer, cost-sharing, defined benefit public employee pension plan. These plans are administered by separate boards of trustees.

1. Plan Description and Provisions

PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by Section 21-29-201 of the Mississippi Code of 1942 as annotated, and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

2. Description of Funding Policy

PERS member are required to contribute 7.25% of their annual covered salary and the Town of Edwards is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Town's contributions to PERS for the fiscal year ended September 30, 2006 was \$4,234, which equaled the required contributions for the year.

NOTE 9 - COMPENSATION OF ELECTED AND OR APPOINTED OFFICIALS

Per diem payments to the Board of Aldermen and salaries paid to the Mayor for the year ended September 30, 2006 were as follows:

	<u>Position</u>	<u>Amount</u>
R. L. Perkins	Mayor	\$ 7,200
Robert Smith	Alderman	5,040
Willie V. Crump	Alderman	3,600
Karl Vriesen	Alderman	3,600
Wilson Jones	Alderman	3,600
Ira Thompson	Alderman	3,600
Willie Jean White	Town Clerk	30,000
Willie Jean White	Court Clerk	900
Nancy Duren	Deputy Clerk	17,000
Louis Johnson	Police Chief	23,566

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Town has been named as a defendant in several lawsuits as of September 30, 2006. These suits are at various stages in the legal system. It is not possible to predict at this time the extent of the Town's liability. Losses, if any, are not expected to exceed available insurance coverage.

TOWN OF EDWARDS, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE 11 - RESERVED FUND BALANCES AND RETAINED EARNINGS

Various bond covenants require the Town to maintain cash reserves that can only be used under specific circumstances. Since these funds are available only under specific circumstances, the amounts are presented as restricted.

NOTE 12 - 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. These risks of loss are covered by participation in a public entity risk pool that operates as a common insurance program and by acquiring commercial insurance coverage. Claims resulting from these risks have historically not exceeded insurance coverage.

NOTE 13 - PROPERTY TAXES RECEIVABLE AND PROPERTY TAX CALENDAR

Property taxes receivable are recorded in the general fund after the general fund budget is approved by the Board of Aldermen/Alderwomen. At fiscal year-end, the receivable represent delinquent taxes.

Property taxes on real, personal and public utilities attach as an enforceable lien on the levy date or January 1 for the preceding calendar year. Hinds County bill and collect the real, personal and ad valorem taxes for the Town of Edwards, Mississippi. The taxes are remitted to the town on a monthly basis.

The taxes are due on or before February 1; however, installment payments can be made one-half of balance due February 1 and one-fourth each on May 1 and August 1. Major tax payments are received February through May, are recognized as revenue in the year received. Delinquent tax payments, received throughout the year, are recognized as revenue in the year received.

NOTE 14 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For the fiscal year ended September 30, 2004, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

At September 30, 2004, there was no effect on fund balance as a result of implementing GASB Statements No. 37 and 38.

GASB Statement No. 34 creates two (2) basic financial statements for reporting on the Town's financial activities. The financial statements now includes government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements prepared on the modified accrual basis of accounting, which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

TOWN OF EDWARDS, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE 15 - PRIOR PERIOD ADJUSTMENT

The following prior period adjustments were made to the government wide financial statements for GASBS 34 reporting.

Miscellaneous reconciling adjustment	<u>\$12,912</u>
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TOWN OF EDWARDS, MISSISSIPPI

SUPPLEMENTARY INFORMATION

September 30, 2006



**BANKS, FINLEY,
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL INFORMATION

To the Honorable Mayor R. L. Perkins
and Honorable Members of the Board of Alderman
Town of Edwards, Mississippi

Our report on our audit of the basic financial statements of the Town of Edwards, Mississippi for the year ended September 30, 2006 appears on page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules included in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

Banks, Finley, White & Co.

February 2, 2007

TOWN OF EDWARDS, MISSISSIPPI
 Combining Balance Sheet
 Nonmajor Governmental Funds
 For the year ended September 30, 2006

	<u>Fire Fund</u>
ASSETS	
Cash	\$ 22,840
Due from other funds	-
TOTAL ASSETS	<u>\$ 22,840</u>
 LIABILITIES AND FUND BALANCES	
Fund Balances:	
Unreserved	
Undesignated	<u>22,840</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 22,840</u>

TOWN OF EDWARDS, MISSISSIPPI
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the year ended September 30, 2006

	Fire Fund
Revenues	
Intergovernmental revenues	\$ 6,850
Interest income	<u>12</u>
Total Revenues	<u>6,862</u>
EXPENDITURES:	<u>-</u>
Excess of Revenues Over (Under Expenditures	<u>6,862</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	6,362
Fund Balance, October 1, 2005	<u>15,978</u>
Fund Balance, September 30, 2006	<u>\$ 22,340</u>

SCHEDULE C

TOWN OF EDWARDS, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2006

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond Amount</u>
R. L. Perkins	Mayor	U S F & G	\$ 25,000
Robert Smith	Alderman	U S F & G	5,000
Willie V. Crump	Alderwoman	U S F & G	5,000
Karl Vriesen	Alderman	U S F & G	5,000
Wilson Jones	Alderman	U S F & G	5,000
Ira Thompson	Alderwoman	U S F & G	5,000
Willie Jean White	Town Clerk	U S F & G	50,000
Willie Jean White	Court Clerk	U S F & G	10,000
Nancy Duren	Deputy Clerk	U S F & G	10,000
Nancy Duren	Deputy Court Clerk	U S F & G	10,000
Louis Johnson	Police Chief	U S F & G	50,000

TOWN OF EDWARDS, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grant Number	Current Year Federal Expenditures
<u>U. S. Department of Housing and Urban Development</u>			
Pass through State of Mississippi Development Authority			
Home Investment Partnership Program	14.219	M04-SG-280-910	\$ 145,566
Community Development Block Grant	14.218	1122-05-175-PF-01	<u>147,503</u>
TOTAL U. S. DEPT. OF HUD			<u>293,069</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 293,069</u>

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grant Number	Principal Balance at Sept. 30, 2005	Principal Retired During the year	Principal Balance at Sept. 30, 2006
<u>OTHER FEDERAL AWARDS</u>					
The Town of Edwards, MS has the following loans payable to Rural Development Administration at September 30, 2004 which was used to make improvements on its water and sewer system:					
5% note dated April 15, 1985	10.770	92-03	\$ 340,610	17,499	\$ 323,111
6% note dated January 23, 1991	10.770	91-04	<u>133,562</u>	<u>4,364</u>	<u>128,698</u>
TOTAL FEDERAL AWARDS			<u>\$ 474,172</u>	<u>22,363</u>	<u>\$ 451,809</u>

TOWN OF EDWARDS, MISSISSIPPI
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Town of Edwards, Mississippi and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



**BANKS, FINLEY,
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Mayor R L Perkins
and Honorable Members of the Board of Alderman
Town of Edwards, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Edwards, Mississippi (the Town), as of and for the year ended September 30, 2006, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 2, 2007. 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'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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information of the Mayor, Board of Alderman, management, and the 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.

Banks, Finley, White & Co.
February 2, 2007



BANKS, FINLEY, WHITE & CO.

CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Mayor R. L. Perkins
and Honorable Members of the Board of Aldermen
Town of Edwards, Mississippi

Compliance

We have audited the compliance of the Town of Edwards, Mississippi (the Town), 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 Edwards, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Edwards, Mississippi's management. Our responsibility is to express an opinion on the Town of Edwards, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standard, 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 Edwards, 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 on the Town of Edwards, Mississippi's compliance with those requirements.

In our opinion, the Town of Edwards, 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 Edwards, 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 Edwards, Mississippi 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 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, management, 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.

Bank, Finley, White & Co.

February 2, 2007



**BANKS, FINLEY,
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS

To the Honorable Mayor R L Perkins
and Honorable Members of the Board of Alderman
Town of Edwards, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Edwards, Mississippi (the Town) as of and for the year ended September 30, 2006, which collectively comprise the town's basic financial statements and have issued our report thereon dated February 2, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, 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 such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended solely for the information of the Mayor, Board of Alderman, management 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.

Banks, Finley, White & Co.
February 2, 2007

TOWN OF EDWARDS, MISSISSIPPI
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2006

There were no prior year findings.

TOWN OF EDWARDS, MISSISSIPPI
 Schedule of Findings and Questioned Costs
 Year Ended September 30, 2006

Section 1: Summary of Auditor's Results

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the general-purpose financial statements. | Unqualified |
| 2. | Material noncompliance relating to the general-purpose financial statements. | None |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | None |
| | b. Reportable conditions identified that are not considered to be material weaknesses? | None |

Federal Awards:

- | | | |
|----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | None |
| | b. Reportable conditions identified that are not considered to be material weaknesses? | None |
| 6. | Any audit findings reported as required by Section __.510(a) of Circular A-133? | None |
| 7. | Federal programs identified as major programs: | |
| | a. U. S. Department of Agriculture
Rural Development Administration Loans CFDA 10.770 | |
| 8. | The dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| 9. | Auditee did qualify as a low-risk auditee. | |

Section 2 - Finding Financial Statements Audit

NONE

Section 3 - Findings and Questioned Costs - Major Federal Award Program Audit

NONE