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**TOWN OF INVERNESS
FINANCIAL STATEMENT**

AND

AGREED-UPON PROCEDURES

For the Year Ended September 30, 2006

TOWN OF INVERNESS

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TOWN OF INVERNESS

ACCOUNTANT'S REPORT

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FINANCIAL STATEMENT

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

The Honorable Mayor and Board of Aldermen
Town of Inverness, Mississippi

We have compiled the accompanying combined statement of cash receipts and cash disbursements - all fund types of the Town of Inverness for the year ended September 30, 2006, and the accompanying supplementary information contained on pages 10 through 13, which are presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and supplementary schedules information that is the representation of management. We have not audited or reviewed the accompanying combined statement of cash receipts and disbursements - all fund types and supplementary schedules and, accordingly, do not express an opinion or any other form of assurance on them.



JOEL B. CUNNINGHAM
Certified Public Accountant

March 1, 2007

TOWN OF INVERNESS

**Combined Statement of Cash Receipts and Disbursements (All Funds)
For the Year Ended September 30, 2006**

	General Fund	Special Revenue Funds	Debt Service Fund	Proprietary Fund	Fiduciary Fund	Total (Memorandum Only)
REVENUE RECEIPTS:						
General property taxes	\$199,745	\$ 7,684	\$12,043	\$ -	\$ -	\$ 219,472
Penalties & interest on delinquent taxes	2,445	-	-	-	-	2,445
Licenses and permits	6,930	-	-	-	-	6,930
Franchise taxes	28,363	-	-	-	-	28,363
Intergovernmental revenues:						
Federal grants:						
Katrina assistance grant	15,982	866	-	2,017	-	18,865
CDBG sewer project grant	-	275,583	-	-	-	275,583
State grants:						
General municipal aid	601	-	-	-	-	601
Homestead exemption	18,815	724	1,085	-	-	20,624
State shared revenues:						
Sales taxes	71,264	-	-	-	-	71,264
Gas tax	3,098	-	-	-	-	3,098
Fire protection	-	5,863	-	-	-	5,863
In lieu taxes-Grand Gulf	10,461	-	-	-	-	10,461
County shared revenues:						
Road & bridge taxes	10,586	-	-	-	-	10,586
Rural fire protection	-	4,604	-	-	-	4,604
Distribution from Delta Natural Gas District	17,500	-	-	-	-	17,500
South Sunflower County Water District	-	-	-	67,724	-	67,724
Charges for services:						
Water, sewer, and garbage	-	-	-	181,834	-	181,834
Police fines, assessments, fees, etc.	5,902	-	-	-	-	5,902
Other revenues:						
Interest income	4,831	4,738	1,420	9,541	-	20,530
Rents	1,425	7,490	-	-	-	8,915
Customer meter deposits	-	-	-	4,180	-	4,180
Interfund loans and transfers	20,756	797	2,124	373	-	24,050
Miscellaneous	7,523	2,113	-	1,335	5,275	16,246
TOTAL RECEIPTS	426,227	310,462	16,672	267,004	5,275	1,025,640
CASH-BEGINNING OF YEAR, RESTATED	92,191	125,864	31,242	198,622	7,656	455,575
TOTAL TO ACCOUNT FOR	\$518,418	\$436,326	\$47,914	\$ 465,626	\$ 12,931	\$ 1,481,215

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

TOWN OF INVERNESS

**Combined Statement of Cash Receipts and Disbursements (All Funds)
For the Year Ended September 30, 2006**

	General Fund	Special Revenue Funds	Debt Service Fund	Proprietary Fund	Fiduciary Fund	Total (Memorandum Only)
DISBURSEMENTS:						
General government	\$ 148,875	\$ -	\$ -	\$ -	\$ -	\$ 148,875
Public safety:						
Police	192,507	-	-	-	-	192,507
Fire	5,402	14,319	-	-	-	19,721
Public works:						
Care and maintenance	55,959	-	-	-	-	55,959
Culture and recreation	4,180	-	-	-	-	4,180
Library	4,080	-	-	-	-	4,080
Enterprise services:						
Water, sewer, and garbage expense	-	5,380	-	185,740	-	191,120
Interest on bonds	-	-	6,615	-	-	6,615
Rental property expense	-	1,514	-	-	-	1,514
Other disbursements:						
Bonds and other debt retired	-	-	10,000	-	-	10,000
CDBG sewer project construction	-	298,072	-	-	-	298,072
Interfund loans and transfers	29	1,912	-	22,109	-	24,050
Capital outlay	2,997	-	-	47,495	-	50,492
Miscellaneous	-	108	-	1,009	-	1,117
TOTAL DISBURSEMENTS	414,029	321,305	16,615	256,353	-	1,008,302
CASH BALANCE - END OF YEAR	104,389	115,021	31,299	209,273	12,931	472,913
TOTAL ACCOUNTED FOR	\$ 518,418	\$ 436,326	\$ 47,914	\$ 465,626	\$ 12,931	\$ 1,481,215

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

TOWN OF INVERNESS

Notes to Financial Statement
For the Year Ended September 30, 2006

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

The Town of Inverness operates under a mayor/board of aldermen form of government and provides services authorized by its charter.

The Town of Inverness' combined general purpose financial statement includes all funds, boards and commissions over which the Town exercises oversight responsibility. Oversight responsibility was determined on the basis of the Town's ability to significantly influence operations, select the governing authority and participate in fiscal management as well as the entity's financial dependence on the Town. The criteria for including entities and funds in the Town's financial statements are in agreement with the Governmental Accounting Standards Board (GASB) Statement No. 1, Section 2100, Authoritative Status of Pronouncements. The Town of Inverness' major operations include public welfare and social services, road and bridge maintenance and general administrative services. In addition, a water and sewer system is operated by the Town.

B. Basis of Accounting.

The general purpose financial statement is prepared on a cash receipts and disbursements basis, as prescribed by the Office of the State Auditor. Consequently, certain revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred.

C. Report Classifications.

Receipts and disbursements were classified according to requirements for small towns in the State of Mississippi as prescribed by the Office of the State Auditor.

D. Fund Accounting.

The accounts of the Town of Inverness are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into generic fund types and broad fund categories as follows:

GOVERNMENTAL FUNDS

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted for specific expenditure purposes.

Debt Service Funds - Debt Service Funds are used to account for the principal and interest payments on general obligation bonds.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

TOWN OF INVERNESS

Notes to Financial Statement
For the Year Ended September 30, 2006

FIDUCIARY FUNDS

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the city in a trustee capacity or as an agent for individuals, private organizations and/or other funds. These include Agency Funds

E. Cash and Other Deposits

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

Cash consists of amounts on deposit in demand accounts. Other deposits consist of certificates of deposit. Cash and other deposits are valued at cost.

Various restrictions on these deposits are imposed by state statutes. These restrictions are summarized as follows:

All deposits with financial institutions must be collateralized in an amount at least equal to 105% of the amount not insured by the Federal Deposit Insurance Corporation (FDIC) or by the Federal Savings and Loan Insurance Corporation (FSLIC), or any successors to such insurance corporations.

F. Property Taxes.

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

G. Total Column on Combined Statement.

The total column on the combined statement is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis.

H. Estimates.

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the reported amount of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

(2) **Cash and Other Deposits.**

Cash and other deposits at September 30, 2006, consist of:

Cash in bank (checking and savings accounts)	\$ 300,828
Certificates of deposit	172,085
Total	<u>\$ 472,913</u>

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 the Federal Deposit Insurance Corporation.

TOWN OF INVERNESS

Notes to Financial Statement
For the Year Ended September 30, 2006

The carrying amount of the Town's deposits with financial institutions was \$472,913 and the bank balance was \$503,063. Deposits totaling \$112,931 are secured by Federal Deposit Insurance Coverage; the uninsured balance of deposits is \$403,063 and is secured by collateral held by the Town's financial institutions (Category 2 risk - Collateral securities are held by the pledging financial institution in the Town's name).

For accounting purposes, certificates of deposit and interest-bearing accounts are classified as cash and other deposits.

Beginning cash balances were restated to agree with prior year bank statements and bank reconciliations.

(3) Contingencies.

Federal Grants - The Town of Inverness has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability to the Town.

(4) Tax Millage Rates

The Board of Aldermen approved the following millage rates in amounts necessary to generate taxes needed for general operations and for debt service on general obligation bonded indebtedness.

Tax Years:	<u>2005</u>	<u>2004</u>
General Fund	52	50
Volunteer Fire Department Fund	1	1
Emergency Water and Sewer Fund	1	1
Debt Service Fund	<u>3</u>	<u>5</u>
Total millage	<u>57</u>	<u>57</u>

(5) Pension Plan Obligations

Public Employees' Retirement System

Plan Description. The Town contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law 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 report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the Town is required to contribute at an actuarially determined rate. The current rate is 11.30% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The Town's contributions to PERS for the fiscal years ending September 30, 2006, 2005, and 2004, were \$29,312, \$23,315 and \$20,575, respectively, which was not materially different from the required contributions for each year

TOWN OF INVERNESS

COMBINING FINANCIAL STATEMENTS

TOWN OF INVERNESS

**Combining Statement of Cash Receipts and Disbursements –
Special Revenue Fund Types
Year Ended September 30, 2006**

	<u>Volunteer Fire Department Fund</u>	<u>Emergency Water and Sewer Fund</u>	<u>Rental Property Fund</u>	<u>Sewer Project Fund</u>	<u>Total (Memorandum Only)</u>
REVENUE RECEIPTS:					
General property taxes	\$ 3,842	\$ 3,842	\$ -	\$ -	\$ 7,684
Intergovernmental revenues:					
Federal grants:					
Katrina assistance grant	-	866	-	-	866
CDBG sewer project grant	-	-	-	275,583	275,583
State grants:					
Homestead exemption	362	362	-	-	724
State shared revenues:					
Fire protection	5,863	-	-	-	5,863
County shared revenues:					
Rural fire protection	4,604	-	-	-	4,604
Other revenues:					
Interest income	1,668	1,468	1,602	-	4,738
Rents	-	-	7,490	-	7,490
Interfund loans and transfers	-	24	773	-	797
Miscellaneous	2,113	-	-	-	2,113
TOTAL RECEIPTS	18,452	6,562	9,865	275,583	310,462
CASH-BEGINNING OF YEAR, RESTATED	39,262	35,022	29,091	22,489	125,864
TOTAL TO ACCOUNT FOR	\$ 57,714	\$ 41,584	\$ 38,956	\$ 298,072	\$ 436,326
DISBURSEMENTS:					
Public safety:					
Fire	\$ 14,319	\$ -	\$ -	\$ -	\$ 14,319
Enterprise services:					
Water, sewer, and garbage expense	-	5,380	-	-	5,380
Rental property expenses	-	-	1,514	-	1,514
CDBG sewer project construction	-	-	-	298,072	298,072
Other disbursements:					
Interfund loans and transfers	1,912	-	-	-	1,912
Miscellaneous	108	-	-	-	108
TOTAL DISBURSEMENTS	16,339	5,380	1,514	298,072	321,305
CASH BALANCE - END OF YEAR	41,375	36,204	37,442	-	115,021
TOTAL ACCOUNTED FOR	\$ 57,714	\$ 41,584	\$ 38,956	\$ 298,072	\$ 436,326

TOWN OF INVERNESS

SUPPLEMENTAL INFORMATION

TOWN OF INVERNESS

**Reconciliation of Tax Assessments to Fund Collections
For the Year Ended September 30, 2006**

<u>Assessed Valuation and Millage</u>	<u>Assessed Value</u>	<u>Mills</u>	<u>Total Taxes Due</u>
Realty	\$ 2,536,739		
Personal - other than auto	325,457		
Auto and mobile homes (from county)	1,218,367		
Public Utilities	<u>252,039</u>		
Total	4,332,602		
Less: Special homestead	<u>(503,477)</u>		
Total	3,829,125	57	\$ 218,260
 <u>Collections/adjustments:</u>			
Plus: Municipal homestead reimbursement			20,624
Prior year tax collections			3,748
Penalties & interest			2,445
Deduct: County tax collector's commissions			<u>(3,472)</u>
			<u><u>\$ 241,605</u></u>
 <u>Collection Credit to Funds:</u>			
	<u>Taxes</u>	<u>Homestead Reimbursement</u>	<u>Total</u>
General fund	\$ 202,190	\$ 18,815	\$ 221,005
Special revenue funds	7,684	724	8,408
Debt service fund	<u>12,043</u>	<u>1,085</u>	<u>13,128</u>
Total	221,917	20,624	\$ 242,541
 Balance represented by:			
Unpaid property taxes			812
Unaccounted for			<u>(1,748)</u>
Total Accounted For			<u><u>\$ 241,605</u></u>

Ad valorem tax collections were found to be within the limitations of Sections 27-39-320 to 27-39-323, Miss. Code Ann. (1972), as follows:

<u>Actual Collections:</u>		<u>Actual Collections:</u>	
2004 Tax	205,846	2005 Tax	209,874
10% increase	20,585	Homestead reimbursement	19,539
Exempt property	<u>6,203</u>	Under limitation	<u>3,221</u>
	<u><u>\$ 232,634</u></u>		<u><u>\$ 232,634</u></u>

TOWN OF INVERNESS

**Schedule of Long-Term Debt
For the Year Ended September 30, 2006**

	<u>Balance Outstanding 10/1/2005</u>	<u>Transactions During Fiscal Year</u>		<u>Balance Outstanding 9/30/2006</u>
		<u>Issued</u>	<u>Redeemed</u>	
<u>General</u>				
<u>General Obligation Bonds:</u>				
\$175,000, 2001 Public Improvement Bonds; original issue date of June 1 2001. Interest is fixed at 4.90% and is payable semi-annually on December 1 and June 1 beginning December 1, 2001. The bonds shall mature and become due between June 1, 2002 and June 1, 2016.	<u>\$ 135,000</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 125,000</u>
Total General Obligation Bonds	<u>\$ 135,000</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 125,000</u>

TOWN OF INVERNESS

Schedule of Surety Bonds of Municipal Officials
For the Year Ended September 30, 2006

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond</u>
James Weems	Mayor	St. Paul Travelers	\$ 25,000
Patricia Lockett	Town Clerk	St. Paul Travelers	\$ 50,000
Position Bond	Police Chief	St. Paul Travelers	\$ 50,000
Position Bond	Assistant Police Chief	St. Paul Travelers	\$ 25,000
Position Bond	Deputy Court Clerk	St. Paul Travelers	\$ 10,000
Position Bond	Deputy Town Clerk	St. Paul Travelers	\$ 10,000
Position Bond	Court Clerk	St. Paul Travelers	\$ 10,000
James Reed Jr.	Alderman	St. Paul Travelers	\$ 10,000
Mark Henderson	Alderman	St. Paul Travelers	\$ 10,000
Ira Stuckey	Alderman	St. Paul Travelers	\$ 10,000
Henry Sibley	Alderman	St. Paul Travelers	\$ 10,000
Jack Switzer	Alderman	St. Paul Travelers	\$ 10,000

TOWN OF INVERNESS

SPECIAL REPORT ON AGREED UPON PROCEDURES

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**SPECIAL REPORT ON AGREED-UPON
PROCEDURES FOR SMALL MUNICIPALITIES**

March 1, 2007

Honorable Mayor and Board of Aldermen
Town of Inverness, Mississippi

We have applied certain agreed-upon procedures, as discussed below, to the accounting records of the Town of Inverness as of September 30, 2006 and for the year then ended, as required by the Office of the State Auditor, under the provisions of Section 21-35-31, Miss. Code Ann. (1972). It is understood the report is solely for the use of the governing body of the Town of Inverness and the Office of the State Auditor and should not be used for any other purposes. Our procedures and findings are as follows:

1. We reconciled cash on deposit with the following banks to balances in the respective general ledger accounts and obtained confirmation of the related balances from the banks:

<u>Bank</u>	<u>Fund</u>	<u>Balance per General Ledger</u>
Planters Bank & Trust	General Fund	\$ 104,389
Planters Bank & Trust	Volunteer Fire Department Fund	17,615
Planters Bank & Trust	Rental Property Fund	37,442
Planters Bank & Trust	Emergency Water and Sewer Fund	13,968
Planters Bank & Trust	Debt Service Fund	31,324
Planters Bank & Trust	Public Utilities Fund	83,159
Planters Bank & Trust	Clearing Fund	<u>12,931</u>
Total all funds		<u>\$ 300,828</u>

2. We confirmed with Planter's Bank & Trust all investments, including certificates of deposit, owned by the Town at September 30, 2006. All investment transactions during the year were examined for compliance with investments authorized by Section 21-33-323, Miss. Code Ann. (1972). Investment balances were as follows:

<u>Bank</u>	<u>Fund</u>	<u>Balance per General Ledger</u>
Planters Bank & Trust	Volunteer Fire Department Fund	\$ 23,735
Planters Bank & Trust	Emergency Water and Sewer Fund	22,236
Planters Bank & Trust	Public Utilities Fund	<u>126,114</u>
Total all funds		<u>\$ 172,085</u>

3. We performed the following procedures with respect to taxes on real and personal property (including motor vehicles) levied during the fiscal year:

- a. Verified the use of certified county assessment rolls and traced levies to the governing body minutes;
- b. Examined uncollected taxes for proper handling, including tax sales;
- c. Traced distribution of taxes collected to proper funds; and
- d. Analyzed increase in taxes for most recent period for compliance with the increase limitations of Sections 27-39-320 to 27-39-323, Miss. Code Ann. (1972).

The distribution of taxes to funds was found to be in accordance with prescribed tax levies, and uncollected taxes were determined to be properly handled.

Ad valorem tax collections were found to be within limitations of Sections 27-39-320 to 27-39-323, Miss. Code Ann. (1972).

Ad valorem tax collections for the retirement of general obligation debt was found to be sufficient for the payment of current principal and interest in accordance with limitations imposed by Sections 21-33-87 and 21-33-303, Miss. Code Ann. (1972). See page 11 for reconciliation of assessments to fund collections.

4. We obtained a statement of payments made by the Department of Finance and Administration to the municipality. Payments indicated were traced to deposits in the respective bank accounts and recorded in the general ledger without exception. Payments traced were as follows:

<u>Payment Purpose</u>	<u>Receiving Fund</u>	<u>Ledger Amount</u>
Fire protection allocation	Volunteer Fire Department Fund	\$ 5,863
General municipal aid	General Fund	601
Gasoline tax	General Fund	3,098
Homestead exemption reimbursement	General Fund	18,815
"	Volunteer Fire Department Fund	362
"	Emergency Water and Sewer Fund	362
"	Debt Service Fund	1,085
Payments in lieu of tax - nuclear power plant	General Fund	10,461
Sales tax allocation	General Fund	70,918
Emergency management funds	General Fund	15,982
"	Emergency Water and Sewer Fund	866
"	Public Utility Fund	2,017
CDBG sewer construction grant	General Fund	<u>275,583</u>
Total		<u>\$ 406,013</u>

5. We selected all purchases made by the municipality during the fiscal year that exceeded the minimum threshold of \$3,500. Each sample item was evaluated for compliance with purchasing requirements set forth in Title 31, Chapter 7, Miss. Code Ann. (1972), as applicable.

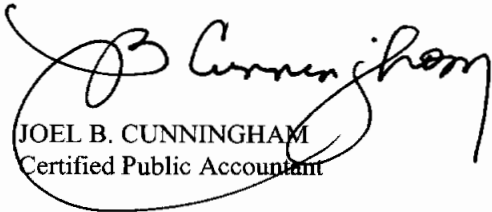
The sample consisted of the following:

Number of Sample Items	14
Total Dollar Value of Sample	\$368,858

We found the municipality's purchasing procedures to be in agreement with the requirements of the above-mentioned sections.

6. We have read the Municipal Compliance Questionnaire completed by the municipality. The completed survey indicated no instances of noncompliance with state requirements.

Because the above procedures do not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts or classes of transactions referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe the items specified in Paragraphs 1, 2 and 3 should be adjusted. Had we performed additional procedures or had we conducted an audit of the financial statements in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to you. This report should not be associated with the financial statements of the Town of Inverness for the year ended September 30, 2006.



JOEL B. CUNNINGHAM
Certified Public Accountant