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STATE AUDITOR'S OFFICE

**TOWN OF MONTROSE
COMBINED STATEMENT OF CASH RECEIPTS
AND DISBURSEMENTS
ALL FUNDS
SEPTEMBER 30, 2006**

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COMBINED STATEMENT OF CASH RECEIPTS
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Private Companies Practice Section

ACCOUNTANTS' COMPILATION REPORT

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

We have compiled the accompanying Combined Statement of Cash Receipts and Disbursements - all funds of the Town of Montrose for the year ended September 30, 2006, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. This financial statement has been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements. If the omitted disclosures were included, they might influence the user's conclusions about the Town's cash receipts and disbursements. Accordingly, this financial statement is not designed for those who are not informed about such matters.

The supplementary information contained on pages 5 and 6 is presented for purposes of additional analysis and has been compiled by us from information that is the representation of management of the Town of Montrose, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Holt & Associates

November 27, 2006

TOWN OF MONTROSE, MISSISSIPPI
COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
ALL FUNDS
YEAR ENDED SEPTEMBER 30, 2006

	Governmental Fund Type General	Proprietary Fund Type Water	Totals 2006	Totals (Memo Only) 2005
Revenue Receipts:				
General Property Taxes	\$ 3,664	\$ -	\$ 3,664	\$ 3,533
Licenses and Permits:				
Utility Franchise Charges	3,334		3,334	3,030
Intergovernmental Receipts:				
State Grants:				
General Municipal Aid	66	-	66	66
Homestead Exemption Reimbursement	560	-	560	496
Other	84,889	-	84,889	4,132
State Shared Receipts:				
Sales & Gasoline Taxes	8,585	-	8,585	8,197
County Grants and Shared Receipts:				
Rail Car Tax	714	-	714	709
Charges for Services				
Water Utility	-	53,281	53,281	43,054
Interest	-	1,443	1,443	532
	<u>101,812</u>	<u>54,724</u>	<u>156,536</u>	<u>63,749</u>
Total Revenue Receipts				
Other Receipts:				
Loan Proceeds	-	-	-	12,500
Transfers In	-	5,743	5,743	4,050
Other	2,497	-	2,497	3,346
	<u>2,497</u>	<u>5,743</u>	<u>8,240</u>	<u>19,896</u>
Total Other Receipts				
Total Receipts	104,309	60,467	164,776	83,645
Cash Balance, Beginning of Year	7,588	75,452	83,040	84,279
TOTAL AMOUNT TO ACCOUNT FOR	\$ 111,897	\$ 135,919	\$ 247,816	\$ 167,924
Operating Disbursements:				
General Government:				
Personnel	\$ 1,410	\$ -	\$ 1,410	\$ 2,782
Commodities	100,213	-	100,213	17,244
Contractual	1,425	216	1,641	2,652
Debt Service:				
Principal	-	10,340	10,340	5,063
Interest	-	1,459	1,459	1,678
Enterprises:				
Water Utility:				
Personnel	-	14,346	14,346	14,406
Commodities	-	23,728	23,728	15,144
Contractual	-	4,907	4,907	1,800
	<u>103,048</u>	<u>54,996</u>	<u>158,044</u>	<u>60,769</u>
Total Operating Disbursements				
Other Disbursements:				
Transfers Out	5,743	-	5,743	4,050
Purchase of Investments	-	51,210	-	-
Capital Outlay	-	-	-	20,065
	<u>5,743</u>	<u>51,210</u>	<u>5,743</u>	<u>24,115</u>
Total Other Disbursements				
Total Disbursements	108,791	106,206	214,997	84,884
Cash Balance, End of Year	3,106	29,713	32,819	83,040
TOTAL AMOUNT ACCOUNTED FOR	\$ 111,897	\$ 135,919	\$ 247,816	\$ 167,924

See accountants report

TOWN OF MONTROSE, MISSISSIPPI
SELECTED NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

Note A: Summary of Significant Accounting Policies

General Information

The Town operates under the mayor/aldermen form of government and provides services as authorized by law.

Reporting Entity

The financial statement of the town consists of all the funds of the town.

Fund Accounting

The accounts of the town are organized on the basis of funds, each of which is considered a separated accounting entity.

Basis of Accounting

The financial statement is prepared on a cash receipts and disbursement 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.

Note B: 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.

**TOWN OF MONTROSE
SCHEDULE OF LONG-TERM DEBT
YEAR ENDED SEPTEMBER 30, 2006**

Definition & Purpose		Balance Outstanding Oct. 1, 2005	Additions	Reductions	Balance Outstanding Sept. 30, 2006
GMAC Comm. Mortgage	Water System	\$ 22,941	\$ -	\$ 1,513	\$ 21,428
Newton County Bank	Water System/Generator	8,897	-	8,897	-
		<u>\$ 31,838</u>	<u>\$ -</u>	<u>\$ 10,410</u>	<u>\$ 21,428</u>

See accountants' compilation report.

TOWN OF MONTROSE
SCHEDULE OF SURETY BONDS OF MUNICIPAL OFFICIALS
SEPTEMBER 30, 2006

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Amount</u>
Carl Matthews	Mayor	RLI Surety	\$10,000
Ed Nix	Town Clerk	RLI Surety	60,000
Janelle Nix	Alderman	Scott Municipal Insurance	5,000
Shirley Johnson	Alderman	Scott Municipal Insurance	5,000
Edna Pugh	Alderman	Scott Municipal Insurance	5,000
Eddie Norvell	Alderman	Scott Municipal Insurance	5,000
Kenneth Smith	Alderman	Scott Municipal Insurance	5,000
Tim Bean	Water Manager	RLI Surety	10,000

See accountants' compilation report.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED - UPON PROCEDURES

To the Mayor and Board of Aldermen of the
Town of Montrose
Montrose, Mississippi

We have performed the procedures as discussed below, to the accounting records of the town of Montrose, Mississippi, as of September 30, 2006 and for the year then ended, as required by the Office of State Auditor, under the provisions of Section 21-35-31, Miss. Code Ann. (1972). This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. It is understood the report is solely for the use of the governing body of the Town of Montrose, Mississippi, 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>General Ledger Balance</u>
Newton Co. Bank	General	\$ 3,106
Newton Co. Bank	Water	2,917
Newton Co. Bank	Water	18,648
Newton Co. Bank	Water	8,148

2. We examined certificates of deposit held for investment. The investments were confirmed directly with the bank. All investment transactions were examined for compliance with investments authorized by Section 21-33-323, Miss. Code Ann. (1972)

<u>Fund</u>	<u>Interest Rate</u>	<u>Acquisition Date</u>	<u>Maturity Date</u>	<u>Bank</u>	<u>Ledger Cost</u>
Water	3.2	10/07/05	10/07/06	Newton County	\$51,210

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 use of certified county assessment rolls and traced levies to 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 increase limitations of Sections 27-39-320 through 27-39-323, Miss.Code Ann. (1972).

The distribution of taxes to funds was in accordance with prescribed tax levies; however, no tax sale was held for uncollected taxes.

Ad valorem tax collections were within the limitations of Section 27-39-320 through 27-39-323, Miss.Code, 1972, Ann.:

4. We obtained a statement of payments made by the Mississippi Department of Finance and Administration to the town. The payments were traced to deposit in banks and recording in the general ledger without exception. Cash receipts were as follows:

<u>Purpose</u>	<u>Receiving Fund</u>	<u>Amount</u>
Sales & Gasoline Tax Allocation	General	\$ 8,585
Municipal Aid	General	66
Homestead Exemption	General	560
Fire Protection	General	646
Other	General	84,243

5. We selected a sample of purchases made by the town during the year. Each sample item was evaluated for compliance with public purchasing requirements set forth in Sections 31-7-1, 31-7-13, 31-7-49 and 31-7-57, Mississippi Code, 1972, Annotated, as applicable.

The sample consisted of the following:

Number of Sample Items - 20
Dollar Value of Sample - \$11,730

We found the Town'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 Town. The following responses to the questionnaire indicate noncompliance with state requirements:
 1. The Town failed to conduct an annual land sale for delinquent ad valorem tax.

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.

Holt & Associates

November 27, 2006