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FINANCIAL REPORT

TOWN OF WALNUT

WALNUT, MISSISSIPPI

SEPTEMBER 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
Town of Walnut
Walnut, Mississippi 38683

We have audited the accompanying statement of cash receipts and disbursements (all funds) - cash basis of the Town of Walnut for the year ended September 30, 2007. This statement is 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 applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and disbursements (all funds) - cash basis of the Town of Walnut for the year ended September 30, 2007, on the basis of accounting described in Note A.

The supplementary information contained on pages 7, 8 and 9 is presented for the purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the statement of cash receipts and disbursements (all funds) - cash basis and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2008, on consideration of the Town of Walnut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Town of Walnut taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 a whole.

Lindsey, Davis and Associates

Lindsey, Davis and Associates
Certified Public Accountants

Ripley, Mississippi
February 28, 2008

TOWN OF WALNUT
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS) - CASH BASIS
 YEAR ENDED SEPTEMBER 30, 2007

	GOVERNMENTAL	PROPRIETARY	TOTALS	
	FUND TYPE	FUND TYPE	(MEMORANDUM ONLY)	
	GENERAL	ENTERPRISE	2007	2006
CASH OPERATING RECEIPTS				
Privilege License	\$ 5,781	\$	\$ 5,781	\$ 4,552
General Property Taxes	31,266		31,266	30,132
Prior Year Taxes	439		439	173
Railcar Tax	1,733		1,733	1,631
Penalties and Interest on Delinquent Taxes	125		125	136
Intergovernmental Receipts				
State Shared Receipts:				
Sales Tax	209,609		209,609	211,293
Gasoline Tax	2,120		2,120	2,121
Fire Protection	3,568		3,568	2,482
Homestead Exemption	1,939		1,939	1,829
TVA in Lieu of Taxes	11,973		11,973	10,597
General Municipal Aid	393		393	393
MEMA	1,299		1,299	
County Shared Receipts:				
Road Tax	24,220		24,220	30,161
Fire Protection	16,000		16,000	16,000
Charges for Services:				
Gas & Water Utilities		881,739	881,739	919,185
Garbage Collection Fees	17,331		17,331	17,257
TVRHA in Lieu of Taxes	1,650		1,650	1,348
Fines	17,831		17,831	26,743
Park - Fees	32,571		32,571	33,360
Gross Receipts Tax	24,872		24,872	23,088
Miscellaneous	2,300	44,207	46,507	18,197
TOTAL OPERATING RECEIPTS	407,020	925,946	1,332,966	1,350,678
OTHER CASH RECEIPTS				
Interest	6,679	10,640	17,319	14,977
Increase in Meter Deposits		511	511	2,469
Transfer				2,239
Capital Contributions	195,456	544,063	739,519	272,002
TOTAL OTHER RECEIPTS	202,135	555,214	757,349	291,687
TOTAL CASH RECEIPTS	609,155	1,481,160	2,090,315	1,642,365

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

TOWN OF WALNUT
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS) - CASH BASIS
YEAR ENDED SEPTEMBER 30, 2007

	GOVERNMENTAL FUND TYPE	PROPRIETARY FUND TYPE	TOTALS (MEMORANDUM ONLY)	
	GENERAL	ENTERPRISE	2007	2006
CASH OPERATING DISBURSEMENTS				
General Government	142,365		142,365	147,751
Public Safety:				
Police	135,489		135,489	102,871
Fire	24,887		24,887	30,722
Highways and Streets:				
Repairs & Maintenance	14,425		14,425	17,489
Enterprise:				
Gas & Water Utilities		764,581	764,581	693,384
Sanitation	15,276		15,276	15,276
Park & Recreation	55,466		55,466	57,275
TOTAL OPERATING DISBURSEMENTS	<u>387,908</u>	<u>764,581</u>	<u>1,152,489</u>	<u>1,064,768</u>
OTHER CASH DISBURSEMENTS				
Interest	2,334	66,644	68,978	65,605
Transfer				2,239
Investment in Fixed Assets	25,848	1,295	27,143	243,908
Principal Payments	36,053	45,803	81,856	62,767
Capital Expenditures	195,456	506,403	701,859	256,392
TOTAL OTHER DISBURSEMENTS	<u>259,691</u>	<u>620,145</u>	<u>879,836</u>	<u>630,911</u>
TOTAL CASH DISBURSEMENTS	<u>647,599</u>	<u>1,384,726</u>	<u>2,032,325</u>	<u>1,695,679</u>
EXCESS OF CASH RECEIPTS OVER (UNDER) CASH DISBURSEMENTS	(38,444)	96,434	57,990	(53,314)
Cash Balances - Beginning of Year	<u>232,718</u>	<u>250,916</u>	<u>483,634</u>	<u>536,948</u>
Cash Balances - End of Year	<u>\$ 194,274</u>	<u>\$ 347,350</u>	<u>\$ 541,624</u>	<u>\$ 483,634</u>

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

TOWN OF WALNUT
NOTES TO THE FINANCIAL STATEMENT
SEPTEMBER 30, 2007

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

The Town operates under the Mayor - Board of 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 separate accounting entity.

Basis of Accounting

The 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 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 WALNUT
SCHEDULE OF LONG-TERM DEBT
YEAR ENDED SEPTEMBER 30, 2007

	<u>Definition and Purpose</u>	<u>Balance Outstanding Oct. 1, 2006</u>	<u>Transactions During Fiscal Year</u>		<u>Balance Outstanding Sept. 30, 2007</u>
			<u>Issued</u>	<u>Redeemed</u>	
GMAC	Water System	\$ 88,585	\$ 11,718		\$ 76,867
Rural Development	Water System	234,638		4,086	230,552
Rural Development	Gas System	415,415		9,998	405,417
The Peoples Bank	Gas System	445,000		20,000	425,000
The Peoples Bank	Bridge Repair	25,922		25,922	0
MS Dept of Economic & Community Development	Fire Truck	34,677		10,132	24,545
Total		<u>\$ 1,244,237</u>	<u>\$</u>	<u>\$ 81,856</u>	<u>\$ 1,162,381</u>

See independent auditor's report.

TOWN OF WALNUT
SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS
SEPTEMBER 30, 2007

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Amount</u>
Wallace Bell	Mayor	Western Surety Company	\$ 25,000
Dana Crowell	Town Clerk	Western Surety Company	25,000
Cheryl Voyles	Deputy Clerk	Western Surety Company	25,000

See independent auditor's report.

TOWN OF WALNUT
SCHEDULE OF INVESTMENTS (ALL FUNDS) - CASH BASIS
SEPTEMBER 30, 2007

GOVERNMENTAL FUNDS:

General Fund:

3.75% Certificate of Deposit, dated September 15, 2007 maturing on March 2, 2008	\$ 108,436
3.65% Certificate of Deposit, dated September 21, 2007 maturing on January 10, 2008	18,400

PROPRIETARY FUNDS:

Water Fund:

3.65% Certificate of Deposit, dated July 9, 2007 maturing on December 21, 2007	<u>33,807</u>
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TOTAL INVESTMENTS	<u><u>\$ 160,643</u></u>
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See independent auditor's report.

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

Honorable Mayor and Board of Aldermen
Town of Walnut
Walnut, Mississippi 38683

We have audited the statement of cash receipts and disbursements (all funds) - cash basis of the Town of Walnut as of and for the year ended September 30, 2007 and have issued our report dated February 28, 2008. We have 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*.

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 those procedures and our audit of the statement of cash receipts and disbursements (all funds) - cash basis disclosed no material instances of noncompliance with state laws and regulations.

This report is intended for the information of the Town's management and the Office of the State Auditor 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.

Lindsey, Davis and Associates

Lindsey, Davis and Associates
Certified Public Accountants

Ripley, Mississippi
February 28, 2008

TOWN OF WALNUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED SEPTEMBER 30, 2007

<u>Federal Grantor/ Pass-through Grantor/ Program or Cluster Title</u>	<u>Catalog of Fed. Domestic Assistance Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
 <u>U.S. Department of Housing and Urban Development</u>			
Community Development Block Grants/ State's Program	14.228	1123-06-375-ED-01	430,979
Community Development Block Grants/ State's Program	14.218	1332-06-375-AR-01	166,666
Total			<u>597,645</u>
 <u>U.S. Department of Justice</u>			
COPS Grant	16.710	2002UMWX0410	<u>3,224</u>
Total Expenditures of Federal Awards			<u>\$ 600,869</u>

TOWN OF WALNUT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

NOTE 1. SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

All federal grant operations of the Town of Walnut are included in the scope of the Office of Management and Budget ("OMB") Circular A-133 audit (the "Single Audit"). The Single Audit was performed in accordance with the provisions of the OMB Circular A-133 Compliance Supplement (Revised June 30, 1999, the "Compliance Supplement"). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant programs. These programs represent all federal award programs and other grants with fiscal 2007 cash and noncash expenditures in excess of \$500,000 to ensure coverage of at least 50 percent of federally granted funds.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

The Town of Walnut utilizes the cash receipts and disbursements basis of accounting, as prescribed by the Office of the State Auditor.

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes all federal grants to the Town of Walnut for the year ended September 30, 2007.

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

Honorable Mayor and Board of Aldermen
Town of Walnut
Walnut, Mississippi 38683

We have audited the accompanying statement of cash receipts and disbursements (all funds) - cash basis of the Town of Walnut for the year ended September 30, 2007, and have issued our report thereon dated February 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Walnut's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town of Walnut's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Walnut's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Walnut's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Walnut's financial statements that is more than inconsequential will not be prevented or detected by the Town of Walnut's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Walnut's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information of the board of aldermen, management, 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.

Lindsey, Davis and Associates

Lindsey, Davis and Associates
Certified Public Accountants

Ripley, Mississippi
February 28, 2008

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

Honorable Mayor and Board of Aldermen
Town of Walnut
Walnut, Mississippi 38683

Compliance

We have audited the compliance of the Town of Walnut 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, 2007. The Town of Walnut'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 Walnut's management. Our responsibility is to express an opinion on the Town of Walnut'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 Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Walnut'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 Walnut's compliance with those requirements.

In our opinion, the Town of Walnut has 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, 2007.

Internal Control Over Compliance

The management of the Town of Walnut is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Walnut's internal control over compliance with requirements that could have a direct and material

effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Walnut's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify all deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of aldermen, management, 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.

Lindsey, Davis and Associates

Lindsey, Davis and Associates
Certified Public Accountants

Ripley, Mississippi
February 28, 2008

TOWN OF WALNUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED SEPTEMBER 30, 2007

SCHEDULE A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No

Major Programs:

<u>CFDA Numbers(s)</u>	<u>Name of Federal Program or Cluster</u>	
14.228	Community Development Block Grants/State's Program	
14.218	Community Development Block Grants/State's Program	
Dollar threshold used to distinguish between Type A and Type B programs:		\$ 500,000
Auditee qualified as low-risk auditee?		Yes

SCHEDULE B - FINANCIAL STATEMENT FINDINGS
 No matters were reported

SCHEDULE C - FINDINGS AND QUESTIONED COSTS
 No matters were reported