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Town of Crowder
Financial Statements
September 30, 2009

Ellis & Hirsberg
Certified Public Accountants, PLLC
Clarksdale, Mississippi

**TOWN OF CROWDER, MISSISSIPPI
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SEPTEMBER 30, 2009**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities of the Town of Crowder, Mississippi, as of and for the year ended September 30, 2009. This financial statement is the responsibility of the Town of Crowder, Mississippi's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement referred to above is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, because of the effect of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of each fund of the Town of Crowder, Mississippi as of September 30, 2009, or changes in financial position or cash flows thereof for the year then ended. Further, the Town has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of each fund of the Town of Crowder, Mississippi as of September 30, 2009, and their respective cash receipts and disbursements, for the year then ended, on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities of the Town of Crowder, Mississippi taken as a whole. Schedules 1 - 3 are presented for the purposes of additional analysis and are not a required part of the financial statement. The information in those schedules has been subjected to the auditing procedures applied in the audit of the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities and, in our opinion, is fairly presented in all material respects in relation to the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2010 on our consideration of the Town of Crowder's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink, appearing to read "ELBERT J. CARROLL", is positioned to the right of the main text block.

July 16, 2010

TOWN OF CROWDER, MISSISSIPPI
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS,
 GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
 YEAR ENDED SEPTEMBER 30, 2009

	Governmental Fund Types			Business-type Activities
	General	Federal Special Revenues	Total Memorandum Only	
REVENUE RECEIPTS:				
General Property Taxes:				
Real, personal and utility Vehicles	31,248 19,658		31,248 19,658	
Total taxes	<u>50,906</u>	<u>0</u>	<u>50,906</u>	<u>0</u>
Licenses and Permits:				
Licenses and permits	200		200	
Franchise fees - utilities	14,445		14,445	
Total licenses and permits	<u>14,645</u>	<u>0</u>	<u>14,645</u>	<u>0</u>
Intergovernmental Revenue:				
Federal grants:				
Homeland Security CDBG	3,646		3,646	
Total federal grants	<u>3,646</u>	<u>35,235</u>	<u>35,235</u>	<u>0</u>
State grants:				
Homestead exemption reimbursement	4,683		4,683	
Total state grants	<u>4,683</u>	<u>0</u>	<u>4,683</u>	<u>0</u>
State shared revenues:				
Other municipal aid	3,000		3,000	
General sales tax	17,547		17,547	
Municipal aid	399		399	
Motor vehicles fuel taxes	2,106		2,106	
TVA in lieu of taxes	4,891		4,891	
Fire insurance premium taxes	4,048		4,048	
Total state shared revenues	<u>31,991</u>	<u>0</u>	<u>31,991</u>	<u>0</u>

TOWN OF CROWDER, MISSISSIPPI
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS,
 GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
 YEAR ENDED SEPTEMBER 30, 2009

	Governmental Fund Types			Business-type Activities
	General	Federal Special Revenues	Total Memorandum Only	
County shared revenues:				
Fire protection	5,000		5,000	
Total county shared revenues	5,000	0	5,000	0
Total intergovernmental revenue	45,320	35,235	80,555	0
Charges for Services:				
Garbage	61,053		61,053	132,042
Water and sewer			0	10,675
Connection fees and deposits			0	142,717
Total charges for services	61,053	0	61,053	
Fines and Forfeits:				
Police fines	3,764		3,764	
Miscellaneous:				
Cemetery	1,700		1,700	
Donations	472		472	
Interest income	2,606		2,606	2,492
Miscellaneous	766		766	
Total miscellaneous	5,544	0	5,544	2,492
Total cash receipts	181,232	35,235	216,467	145,209

TOWN OF CROWDER, MISSISSIPPI
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS,
 GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
 YEAR ENDED SEPTEMBER 30, 2009

	Governmental Fund Types			Total	Business-type Activities
	General	Federal Special Revenues	Memorandum Only		
DISBURSEMENTS:					
General Government:					
Financial administration:					
Salaries	29,630		29,630		
Office	10,069		10,069		
Telephone and utilities	7,755		7,755		
Insurance	9,294		9,294		
Other services and charges	12,837		12,837		
Total general government	69,585	0	69,585	0	
Public Safety:					
Police:					
Salaries	20,023		20,023		
Gas and oil	1,057		1,057		
Repairs and supplies	7,485		7,485		
Street lights	10,216		10,216		
Legal	4,353		4,353		
Training and other	4,076		4,076		
Total police	47,210	0	47,210	0	
Fire:					
Fuel, repairs and supply	8,419		8,419		
Total fire	8,419	0	8,419	0	
Total public safety	55,629	0	55,629	0	

TOWN OF CROWDER, MISSISSIPPI
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS,
 GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
 YEAR ENDED SEPTEMBER 30, 2009

	Governmental Fund Types			Business-type Activities
	General	Federal Special Revenues	Total Memorandum Only	
Public Health:				
Garbage fees	47,693		47,693	
Total public health	47,693	0	47,693	0
Enterprise Funds:				
Gas and oil			0	6,555
Salaries and labor				46,722
Repairs and supplies			0	31,980
Other service and charge			0	12,519
Refunds and bad checks			0	1,532
Utilities and telephone			0	16,356
Total enterprise disbursements	0	0	0	115,664
Federal Fund Expenditures:				
Homeland Security	3,646	35,235	3,646	
CDBG			35,235	
Total federal fund expenditures	3,646	35,235	38,881	0
Debt Service:				
Principal retirement - notes			0	28,139
Interest			0	8,276
Total debt service	0	0	0	36,415
Total cash disbursements	176,553	35,235	211,788	152,079

TOWN OF CROWDER, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS,
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2009

OTHER FINANCING SOURCES - (USES):	Governmental Fund Types			Business-type
	General	Federal Special Revenues	Total Memorandum Only	Activities
				Proprietary Fund
Operating transfers in			0	1,450
Operating transfers out	(1,450)		(1,450)	
Total other financing sources, (uses)	(1,450)	0	(1,450)	1,450
Excess cash receipts and other financing				
Sources over/under (-) cash disbursements	3,229	0	3,229	(5,420)
Cash and investments balance - beginning of year	26,699		26,699	120,952
Cash and investments balance - end of year	29,928	0	29,928	115,532

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

**TOWN OF CROWDER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

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

**TOWN OF CROWDER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2009**

The following funds are used by the Town:

Governmental Fund Types:

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

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

Proprietary Fund Types:

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

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

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

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

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

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

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

Property taxes are recognized as revenue when they are received.

**TOWN OF CROWDER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2009**

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

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

NOTE 2 - PROPERTY TAXES:

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

The Town used a tax levy in 2008 of 43 mills on assessed valuation for taxing property within the incorporated boundaries. The Town utilized the county tax rolls of Quitman County and Panola County in assessing the ad valorem taxes on real and personal property within the Town boundaries. The Town's property taxes and personal auto taxes are collected and remitted to the Town by the Quitman County and Panola County tax collectors.

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

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

NOTE 3 - CASH AND INVESTMENTS:

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

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

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the Town'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

**TOWN OF CROWDER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2009**

a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by Federal Depository Insurance Corporation. As of September 30, 2009 all deposits were fully collateralized.

The carrying amount of the Town’s deposits with financial institutions was \$144,960 and the bank balance was \$149,057.

The Town maintains a petty cash fund of \$500.

NOTE 4 - LONG-TERM DEBT

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

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

Revenue Obligations

	<u>FYE</u>	<u>FYE</u>	<u>FYE</u>	<u>FYE</u>	<u>FYE</u>	FYE 9-30-15 Thru 9-30-18
	<u>9-30-10</u>	<u>9-30-11</u>	<u>9-30-12</u>	<u>9-30-13</u>	<u>9-30-14</u>	
Rural Development Waterworks & Sewer System Note, Interest Rate 5%						
Principal	16,879	17,723	18,609	12,155		
Interest	3,247	2,403	1,517	620		
Rural Development Waterworks & Sewer System Note, Interest Rate 5%						
Principal	7,859	8,262	8,684	9,129	9,597	29,090
Interest	3,454	3,051	2,629	2,184	1,716	2,704

**TOWN OF CROWDER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2009**

General Obligations

Scott Financial Services

Backhoe Note

Rate 4.75%

Paid off in FYE 9-30-09

Principal

0

Interest

0

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

	Amount of Reserve Requirement <u>At 9-30-09</u>	Amount of Reserve <u>At 9-30-09</u>
Note Payable Rural Development		
#92-01	21,000	22,281
#91-04	12,000	12,225

NOTE 5 - SHORT TERM NOTE

During the fiscal year ended September 30, 2008 \$8,150 was borrowed from Guaranty Bank, Batesville, Mississippi. This note is unsecured and was originally due on July 20, 2008 with 7.25% interest being charged. The proceeds of this note were used as matching funds in the acquisition of a storm shelter by the Town. This note was renewed on July 25, 2008 and July 25, 2009 for one year with a 4% interest rate. The balance due at September 30, 2009 was \$6,718.

NOTE 6 - COMMUNITY DEVELOPMENT BLOCK GRANT

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

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

**TOWN OF CROWDER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2009**

NOTE 7 - RISK MANAGEMENT

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

Participation in Public Entity Risk Pool.

The Town is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the Town's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The trust pays statutory amounts. The funds in the trust account are used to pay any claim up to \$750,000 for police and fire fighters and \$500,000 on all others. For a claim exceeding \$750,000 for police and fire fighters and \$500,000 on all others, MMWCG has reinsurance. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The Town has not had an additional assessment for excess losses incurred by the pool.

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

TOWN OF CROWDER, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
FOR YEAR ENDED SEPTEMBER 30, 2009

<u>Definition & Purpose</u>	Balance	Transactions		Balance
	Outstanding 10-1-08	During Fiscal Year		Outstanding 9-30-09
		Issued	Redeemed	
Revenue Obligations				
5-10-78 Rural Development - Waterworks and sewer system note. Due in annual installments. Final installment 5-10-13. Interest rate 5.0%.	81,294		15,928	65,366
7-20-83 Rural Development - Waterworks and sewer system note. Due in monthly payments of \$942.75. Final installment 7-20-18. Interest rate 5.0%.	<u>80,100</u>		<u>7,479</u>	<u>72,621</u>
Total - Revenue Obligations	<u>161,394</u>	<u>0</u>	<u>23,407</u>	<u>137,987</u>
General Obligations				
7/7/06 Scott Financial Services Purchase of Backhoe Due in 3 annual installments Of \$4,976.23 beginning 7/7/07	<u>4,732</u>		<u>4,732</u>	<u>0</u>
Total - General Obligations	<u>4,732</u>	<u>0</u>	<u>4,732</u>	<u>0</u>
Total - Long Term Debt	<u><u>166,126</u></u>	<u><u>0</u></u>	<u><u>28,139</u></u>	<u><u>137,987</u></u>

TOWN OF CROWDER, MISSISSIPPI
 SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
 SEPTEMBER 30, 2009

<u>Name</u>	<u>Position</u>	<u>Agency / Insurer</u>	<u>Bond</u>
Stephen Stanton	Mayor	MS Municipal Bond Program	25,000
Lynette Bland	Town Clerk	FCCI Insurance Company	90,000
Esther Karen Lee Anderson	Deputy Clerk	Travelers Insurance Co.	50,000
Peggy Griffin	Alderman	MS Municipal Bond Program	10,000
Anderson Rico	Alderman	MS Municipal Bond Program	10,000
Ollie Walker	Alderman	MS Municipal Bond Program	10,000
Russell Cox	Alderman	MS Municipal Bond Program	10,000
Olivia Moore	Alderman	MS Municipal Bond Program	10,000
Fredrick Sanders	Police Chief	Travelers Insurance Co.	50,000

TOWN OF CROWDER, MISSISSIPPI
 SCHEDULE OF INVESTMENTS - BUSINESS-TYPE ACTIVITIES
 SEPTEMBER 30, 2009

All investments are certificates of deposit
 With Banks

PROPRIETARY FUND:

#1620296, 3.450%	6,501
#1620437, 2.47%	3,126
#2009481, 1.046%	3,229
#1620471, 2.47%	12,225
#1600018638, 1.81%	1,004
#1620438, 2.47%	50,954
#2009482, 1.046%	3,304
#1620436, 2.47%	6,121
#1600019629, 1.00%	<u>9,145</u>
 Total investments	 <u><u>95,609</u></u>

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

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

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

We have audited the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities of the Town of Crowder, Mississippi as of and for the year ended September 30, 2009, and have issued our report thereon dated July 16, 2010. Our report differed from the standard report due to the basis of accounting. All governmental and proprietary funds contained in this report are accounted for using the cash receipts and disbursements basis of accounting, as permitted by the Mississippi State Department of Audit. This basis of accounting differs from generally accepted accounting principles in that revenues are recognized when received rather than when measurable and available as net current assets and expenditures are generally recognized when the related fund expense is disbursed rather than when the related fund liability is incurred. Consequently, these financial statements are not intended to present financial position or results of operations in accordance with generally accepted accounting principles. Financial statements issued following accounting principles generally accepted in the United States of America normally contain Government-Wide Financial Statements, Fund Financial Statements, Management Discussion and Analysis (MD&A), Required Supplemental Information (Budgetary Reporting), and other Supplemental Information. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the Statement of Cash Receipts and Disbursements, Governmental Business-type Activities, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in the internal control over financial reporting that we consider to be significant deficiencies.

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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash receipts and disbursement method of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered the deficiencies described in the accompanying Schedule of Findings as Findings 09-1 and 09-2 to be significant deficiencies in internal control over financial reporting.

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'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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Findings 09-1 and 09-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 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 and use of management, Board of Aldermen, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



July 16, 2010

**TOWN OF CROWDER, MISSISSIPPI
SCHEDULE OF FINDINGS
SEPTEMBER 30, 2009**

09-1 Finding:

There is a lack of segregation of duties in the Town Clerk's office. Internal accounting controls of the Town of Crowder are inadequate because of a lack of segregation of duties due to limited personnel and limited funding. Good internal controls call for the segregation of duties between the performance, approval and record keeping of a transaction. This finding was reported in the prior year.

Recommendation:

An evaluation of the internal control structure of the Town of Crowder, Mississippi to determine a workable and economically feasible improvement in the internal control structure.

Response:

The Town of Crowder, Mississippi is unable to hire additional employees to properly segregate the duties due to the limited funding resources of a small municipality.

09-2 Finding:

The person responsible for the Town of Crowder's accounting and reporting function lacks the skills and knowledge to prepare financial statements with full disclosures.

Recommendation:

Evaluate the abilities of the current staff of the Town of Crowder and provide continuing education when available to enhance the knowledge of the staff.

Response:

The Town of Crowder is unable to upgrade their personnel to a skill level necessary to eliminate this finding due to limited funding resources.

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

Honorable Mayor and Board of Aldermen
Town of Crowder, Mississippi

We have audited the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities of the Town of Crowder, Mississippi as of and for the year ended September 30, 2009, and have issued our report thereon dated July 16, 2010. Our report differed from the standard report due to the basis of accounting. All governmental and proprietary funds contained in this report are accounted for using the cash receipts and disbursements basis of accounting, as permitted by the Mississippi State Department of Audit. This basis of accounting differs from accounting principles generally accepted in the United States of America in that revenues are recognized when received rather than when measurable and available as net current assets and expenditures are generally recognized when the related fund expense is disbursed rather than when the related fund liability is incurred. Consequently, these financial statements are not intended to present financial position or results of operations in accordance with accounting principles generally accepted in the United States of America. Financial statements issued following accounting principles generally accepted in the United States of America normally contain Government-Wide Financial Statements, Fund Financial Statements, Management Discussion and Analysis (MD&A), Required Supplemental Information other than MD&A (Budgetary Reporting), and other Supplemental Information. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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



July 16, 2010