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Town of Lake, Mississippi
Independent Accountants' Report on Applying
Agreed-Upon Procedures
Year Ended September 30, 2006

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STATE AUDITOR'S OFFICE

Andrew E. Gay & Co., P.A.

Certified Public Accountant

P.O. Box 734

210 Hillsboro Street

Forest, Mississippi 39074

Honorable Mayor and Board of Alderpersons

Town of Lake

Lake, Mississippi

We have performed the procedures enumerated below, which were agreed to by the Office of the State Auditor, to the accounting records of the Town of Lake, solely to assist the Office of Auditor evaluate the Town of Lake's compliance with certain laws and regulations as of September 30, 2006, and for the year then ended. This agreed-upon-procedures engagement was conducted 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 Office of the State Auditor, State of Mississippi. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

<u>Bank</u>	<u>Fund</u>	<u>General Ledger Balance</u>
Newton County Bank	General Fund – Checking Account	\$ 66,196
Newton County Bank	General Fund – Checking Account	403
Newton County Bank	General Fund – Checking Account	5,020
Newton County Bank	General Fund – Certificate of Deposit	33,907
Newton County Bank	General Fund – Certificate of Deposit	<u>41,717</u>
	Total General Fund	<u>147,243</u>
Newton County Bank	Special Revenue Fund – Fire – Checking Account	778
Newton County Bank	Special Revenue Fund – Fire – Checking Account	909
Newton County Bank	Special Revenue Fund – Fire – Certificate of Deposit	22,742
Newton County Bank	Special Revenue Fund – Fire – State Fund – Checking Account	<u>13,815</u>
	Total Special Revenue Fund	<u>38,244</u>
Newton County Bank	Capital Projects Fund – Depot Restoration – Checking Account	819
Newton County Bank	Capital Projects Fund – Downtown Improvements – Checking Account	<u>76</u>
	Total Capital Projects Fund	<u>895</u>
Newton County Bank	Debt Service Fund – Checking Account	1,141
Newton County Bank	Debt service Fund – Checking Account	<u>10</u>
	Total Debt Service Fund	<u>1,151</u>
Newton County Bank	Water and Sewer Fund – Checking Account	20,844
Newton County Bank	Water and Sewer Fund – Checking Account	3,069
Newton County Bank	Water and Sewer Fund – Certificate of Deposit	15,232
Newton County Bank	Water and Sewer Fund – Certificate of Deposit	14,845
Newton County Bank	Water and Sewer Fund – Certificate of Deposit	2,058
Newton County Bank	Water and Sewer Fund – Sewer Reserve Fund – Certificate of Deposit	48,315
Newton County Bank	Water and Sewer Fund – Rural Impact Fund – Checking Account	<u>82,909</u>
	Total Water and Sewer Fund	<u>187,272</u>
	TOTAL AVAILABLE FUNDS	<u>\$ 374,805</u>

2. The Town of Lake, Mississippi has no investments. Certificates of Deposit are included at item 1 above.

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

- a. Verify use of certified county assessment rolls and tract 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 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 to be properly handled.

Ad valorem tax collections were found to be within the 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 payment of current principal and interest in accordance with limitations imposed by Sections 21-33-87 and 21-33-303, Miss. Code Ann. (1972).

4. We obtained a statement of payments made by the Mississippi Department of Finance and Administration to the town. Payments indicated were traced to deposit 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>Amount</u>
Sales Tax Allocation	General Fund	\$ 66,223
Gasoline Tax	General Fund	1,147
General Municipal Aid	General Fund	213
Homestead Exemption Reimbursement	General Fund	2,338
TVA Payments in Lieu of Taxes	General Fund	65
Public Safety	General Fund	2,392
City Utilities Taxes	General Fund	977
Miscellaneous Refunds	General Fund	13
Fire Protection Allocation	Special Revenue Fund	2,075
Public Safety	Special Revenue Fund	5,807
Emergency Management	Water & Sewer Fund	19,276
Other Aid – CDBG Grant	Water & Sewer Fund	19,903
Other Aid – Rural Impact Grant	Water & Sewer Fund	<u>82,909</u>
TOTAL PAYMENTS		<u>\$ 203,338</u>

5. We sampled a selection of purchases made by the municipality during the fiscal year. Each selected purchase 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	45
Dollar Value of Sample	\$ 216,929

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

Solicitation of two bids is required for purchases of commodities over \$3,500 up to \$15,000. Documentation of proper bidding procedures was not furnished for the following purchase:

The purchase of an electrical contract for wiring and electrical services to be performed on the new water building.

6. We have read the Municipal Compliance Questionnaire completed by the municipality. The following responses to the questionnaire indicate noncompliance with the state requirements.

The following questions were answered no ("N") by the City Clerk:

PART II – Cash and Related Records

3. Does the claims docket identify the claimant, claim number, amount and fund from which each warrant will be issued? (Section 21-39-7)

4. Are all warrants approved by the board, signed by the mayor or majority of the board, attested to by the clerk, and bearing the municipal seal? (Section 21-39-13)

17. Are fixed assets properly tagged and account for? (Section II – Municipal Audit and Accounting Guide)

PART V – Taxes and Other Receipts

10. Are state-imposed court assessments collected and settled monthly? (Section 99-19-73, 83-39-31, etc.)

11. Are all fines and forfeitures collected when due and settled immediately to the municipal treasury? (Section 21-15-21)

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on management's compliance with laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you.

This report is intended solely for the use of the Town of Lake and the Office of the State Auditor, State of Mississippi and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is not intended to be and should not be used by anyone other than those specified parties.

Andrew E. Gay & Co., P.A.

Andrew E. Gay & Co., P.A.

January 31, 2007

Town of Lake, Mississippi
Compiled Financial Statements
Year Ended September 30, 2006

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STATE AUDITOR'S OFFICE

Andrew E. Gay & Co., P.A.

Certified Public Accountant

P.O. Box 734
210 Hillsboro Street
Forest, Mississippi 39074

ACCOUNTANTS' COMPILATION REPORT

Honorable Mayor and Board of Alderpersons
Town of Lake
Lake, Mississippi

We have compiled the accompanying statement of cash receipts and disbursements-governmental and business-type activities of the Town of Lake for the year ended September 30, 2006, and the supplementary information contained in the accompanying Schedules, which are presented only for supplementary analysis purposes, in accordance with standards established by the American Institute of Certified Public Accountants. The financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

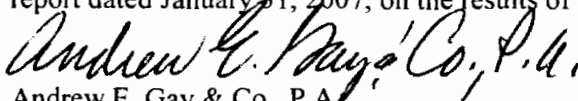
A compilation is limited to presenting in the form of financial statements and supplementary schedules information that is the representation of management. We have not audited or reviewed the accompanying statement of cash receipts and disbursements-governmental and business-type activities and supplementary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

Management has not presented government-wide financial statements to display the cash basis financial position and changes in cash basis financial position of its governmental activities and business-type activities. Accounting principles generally accepted in the United States of America, as applied to the Town of Lake's cash basis of accounting, require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements resulting from the cash basis transactions for the Town of Lake's governmental activities and business-type activities are not reasonably determinable.

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

Management also has not presented management's discussion and analysis and other required supplemental information that the Governmental Accounting Standards Board has determined is required to supplement, although not required to be a part of, the basic financial statements.

In accordance with the provisions of Section 21-35-31, Miss. Code Ann. (1972), we have issued a report dated January 31, 2007, on the results of our agreed-upon procedures.


Andrew E. Gay & Co., P.A.
January 31, 2007

Member: American Institute of Certified Public Accountants
Mississippi Society of Certified Public Accountants
Phone: (601) 469-5929; Fax (601) 469-5934

Town of Lake, Mississippi
Combined Statement of Cash Receipts and Disbursements - Government and Business-type Activities
For the Fiscal Year Ended September 30, 2006

	Governmental Activities				Business-type Activities	
	General	Special Revenue	Capital Projects	Debt Service	Water & Sewer Fund	TOTAL
DISBURSEMENTS						
General Government	\$ 66,944	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety						
Police	46,021					46,021
Fire		14,202				14,202
Culture and Recreation						
Maintenance - Depot	7,735					7,735
Enterprises			175			175
Water Utility					106,688	106,688
Grants						
Capital Outlay - Homeland Security		5,807				5,807
Capital Outlay - FEMA					19,276	19,276
Capital Outlay - CDBG					19,903	19,903
Capitol Outlay - EPA Grant					4,050	4,050
Other Disbursements:						
Interest	602	1,352			1,558	1,558
Capital Outlay		1,596			74,557	74,557
Due from Fire Fund					2,053	2,053
Loan to Water & Sewer Fund	68,974					68,974
Loan to Fire Fund	8,851					8,851
Repayment of Loan to General Fund		8,851				8,851
Repayment of Loan to MS Development Authority		5,436			2,467	2,467
Repayment of Loans to Newton County Bank	24,134	13,685				37,819
Transfers	1,373	403				1,776
TOTAL DISBURSEMENTS	\$ 224,635	\$ 51,331	\$ 175	\$ -	\$ 230,554	\$ 276,141
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	\$ 24,185	\$ (11,554)	\$ (175)	\$ -	\$ 47,801	\$ 12,456
CASH BASIS FUND BALANCE - BEGINNING	123,058	49,798	1,070	1,151	139,471	175,077
CASH BASIS FUND BALANCE - ENDING	\$ 147,243	\$ 38,244	\$ 895	\$ 1,151	\$ 187,272	\$ 187,272

**Town of Lake
Supplementary Information
Fiscal Year Ending September 30, 2006**

SCHEDULE OF INVESTMENTS

The Town of Lake has no investments. Certificates of Deposit are included in cash on deposit.

SCHEDULE OF LONG-TERM DEBT

<u>Date Of Issue</u>	<u>Definition & Purpose</u>	<u>Balance Outstanding October 1, 2005</u>	<u>Transactions During Fiscal Year</u>		<u>Balance Outstanding September 30, 2006</u>
			<u>Borrowed</u>	<u>Retired</u>	
01/06	General Obligation Bonds Retire Bank Loans and New Water Building	\$ 0	\$ 100,000	\$ 0	\$ 100,000
01/05	Newton County Bank Pickup Truck Fire Dept	2,678	0	2,678	0
05/05	Newton County Bank Police Car	24,134		24,134	0
05/05	Newton County Bank District 5 Fire Station	11,007		11,007	0
01/97	MS Development Authority Fire Station	25,218		5,436	19,782
08/99	MS Development Authority Sewer	<u>21,315</u>	<u>0</u>	<u>2,467</u>	<u>18,848</u>
TOTALS		<u>\$ 84,352</u>	<u>\$ 100,000</u>	<u>\$ 45,722</u>	<u>\$ 138,630</u>

SCHEDULE OF SURETY BONDS

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
Larry Townsend	Mayor	MS Municipal Bond Program	\$ 25,000
Darvis Vance	Alderman	MS Municipal Bond Program	5,000
Paul Tadlock	Alderman	MS Municipal Bond Program	5,000
Rodney Street	Alderman	MS Municipal Bond Program	5,000
Priscilla Cooksey	Alderwoman	MS Municipal Bond Program	5,000
Wanda Weems	Alderwoman	MS Municipal Bond Program	5,000
Pamela Luke	Municipal Clerk	MS Municipal Bond Program	50,000
Pamela Luke	Municipal Clerk	St Paul Travelers Insurance Co	10,000
Billy Jenkins	Police Chief	St Paul Travelers Insurance Co	50,000
Todd Thibeault	Police Officer	St Paul Travelers Insurance Co	25,000
William Colvin	Police Officer	St Paul Travelers Insurance Co	25,000

See accompanying Accountants' Compilation Report.