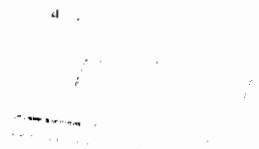


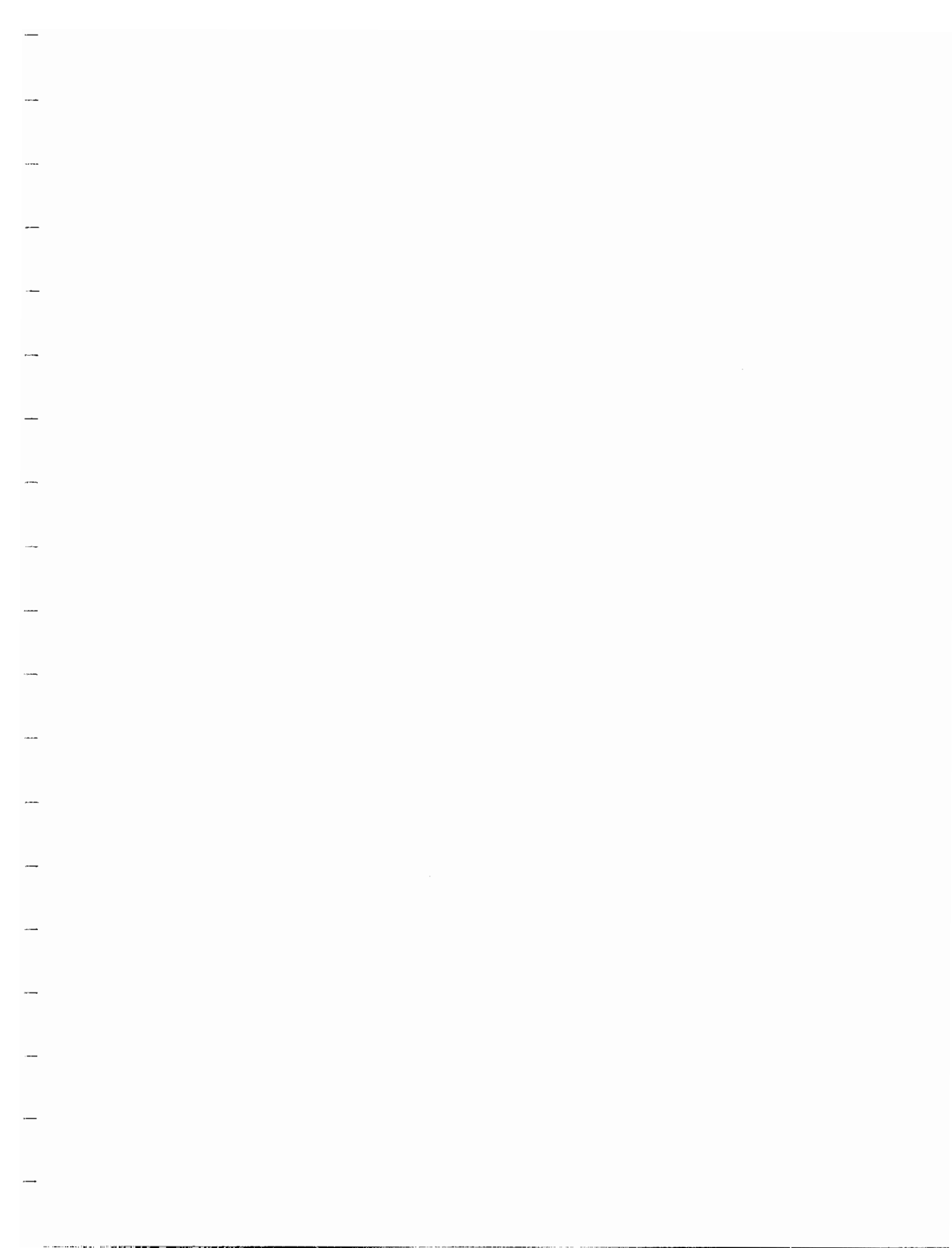


The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

Town of Lambert
Financial Statements
September 30, 2006



Ellis & Hirsberg
Certified Public Accountants, PLLC
Clarksdale, Mississippi



**TOWN OF LAMBERT, MISSISSIPPI
TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditors' Report	1
Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities	3
Notes to Financial Statements	9
Schedule 1 Schedule of Surety Bonds for Municipal Officials	16
Schedule 2 Schedule of Long-Term Debt	17
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 <i>Government Auditing Standards</i>	19
Independent Auditors' Report on Compliance with State Laws and Regulations	22

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Aldermen
Town of Lambert, Mississippi

We have audited the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities of the Town of Lambert, Mississippi, as of and for the year ended September 30, 2006. This financial statement is the responsibility of the Town of Lambert, 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 Lambert, 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 Lambert, Mississippi as of September 30, 2006, or changes in financial position or cash flows thereof for the year then ended. Further, the Town has not presented management's discussion and analysis nor required supplemental information that accounting principles generally accepted in the United States has determined is necessary to supplement, although they are 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 Lambert, Mississippi, as of September 30, 2006, 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 Lambert, Mississippi taken as a whole. Schedules 1 - 2 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 February 11, 2007 on our consideration of the Town of Lambert's internal control over financial reporting and 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 internal part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

February 11, 2007

Ellis + Huisberg CPA PLLC

TOWN OF LAMBERT, MISSISSIPPI
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
 YEAR ENDED SEPTEMBER 30, 2006

	Governmental Activities Types				Total (Memorandum Only)	Business-type Activities
	General	Federal Special Revenue	Debt Service	Federal Capital Project		
REVENUE RECEIPTS:						
General Property Taxes:						
Current levy	131,357		19,849		151,206	
Prior years levy	1,289				1,289	
Vehicles	51,253		5,211		56,464	
Penalties and interest	1,510				1,510	
Total taxes	<u>185,409</u>	<u>0</u>	<u>25,060</u>	<u>0</u>	<u>210,469</u>	
Licenses and Permits:						
Licenses and permits	918				918	
Franchise fees - utilities & cable	34,383				34,383	
Total licenses and permits	<u>35,301</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>35,301</u>	
State grants:						
Homestead exemption reimbursement	9,430		1,387		10,817	
Total state grants	<u>9,430</u>	<u>0</u>	<u>1,387</u>	<u>0</u>	<u>10,817</u>	
State shared revenues:						
General sales tax	38,209				38,209	
Municipal aid	1,025				1,025	
Motor vehicles fuel taxes	5,409				5,409	
Fire insurance premium taxes	10,003				10,003	
Grand Gulf	6,622				6,622	
Police academy reimbursement	5,238				5,238	
Total state shared revenues	<u>66,506</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>66,506</u>	

TOWN OF LAMBERT, MISSISSIPPI
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
 YEAR ENDED SEPTEMBER 30, 2006

	Governmental Activities Types					Total (Memorandum Only)	Business-type Activities
	General	Federal Special Revenue	Debt Service	Federal Capital Project			
Federal revenues:							
Homeland Security		11,549				11,549	
CDBG Small Cities Program				59,500		59,500	
HOME Project		25,000				25,000	
CDBG Micro Loan Program		76,000				76,000	
FEMA				9,285		9,285	
Total federal revenues	0	112,549	0	68,785		181,334	0
County shared revenues:							
Fire aid	3,750					3,750	
Road maintenance	3,425					3,425	
Total county shared revenues	7,175	0	0	0		7,175	
Charges for Services:							
Garbage	56,966					56,966	
Water & Sewer						0	337,030
Total charges for services	56,966	0	0	0		56,966	337,030
Fines and Forfeits:							
Police fines	47,438					47,438	
Miscellaneous:							
Interest income	98		205	940		1,243	2,164
Miscellaneous	3,780		346			4,126	
Total miscellaneous	3,878	0	551	940		5,369	2,164
Total cash receipts	412,103	112,549	26,998	69,725		621,375	339,194

TOWN OF LAMBERT, MISSISSIPPI
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
 YEAR ENDED SEPTEMBER 30, 2006

	Governmental Activities Types					Total (Memorandum Only)	Business-type Activities
	General	Federal Special Revenue	Debt Service	Federal Capital Project			
DISBURSEMENTS:							
General Government:							
Financial administration:							
Salaries and employee benefits	56,615				56,615		
Travel and training	4,726				4,726		
Office and operating supplies	6,259				6,259		
Capital Outlay	7,365				7,365		
Professional fees	11,350				11,350		
Telephone and utilities	9,385				9,385		
Insurance	9,070				9,070		
Other	16,292				16,292		
Total general government	121,062	0	0	0	121,062		
Public Safety:							
Police:							
Salaries and employee benefits	113,907				113,907		
Fuel and operating supplies	19,847				19,847		
Jail fees	15,271				15,271		
Telephone and utilities	1,667				1,667		
Insurance	24,963				24,963		
Repairs	4,286				4,286		
State assessments	8,700				8,700		
Training	6,303				6,303		

TOWN OF LAMBERT, MISSISSIPPI
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
 YEAR ENDED SEPTEMBER 30, 2006

	Governmental Activities Types				Total (Memorandum Only)	Business-type Activities
	General	Federal Special Revenue	Debt Service	Federal Capital Project		
Professional fees	1,670				1,670	
Miscellaneous	2,769				2,769	
Board of Adjustments	4,200				4,200	
Total police	203,583	0	0	0	203,583	
Fire:						
Utilities and telephone	3,233				3,233	
Insurance	5,593				5,593	
Fuel, repairs and supplies	4,853				4,853	
Total fire	13,679	0	0	0	13,679	
Public Works:						
Streets:						
Salaries and employee benefits	17,638				17,638	
Repairs and supplies	318				318	
Street lights	28,348				28,348	
Total public works	46,304	0	0	0	46,304	
Sanitation:						
Garbage fees	55,737				55,737	
Total sanitation	55,737	0	0	0	55,737	
Parks and Recreation:						
Supplies and other	388				388	
Total parks and recreation	388	0	0	0	388	

TOWN OF LAMBERT, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2006

	Governmental Activities Types					Business-type Activities	
	General	Federal Special Revenue	Debt Service	Federal Capital Project	Total (Memorandum Only)		
Other Disbursements:							
Enterprise Funds:							
Salaries, labor and employee benefits							83,924
Maintenance and repairs							12,264
Supplies, materials and fuel							38,337
Meter refunds and adjustments							7,445
Professional fees							4,200
Insurance							17,229
Utilities and telephone							33,834
General expense							8,504
Total enterprise funds	0	0	0	0	0		205,737
Debt Service:							
Principal retirement - notes	790		11,600		12,390		76,630
Interest & fees	25		10,309		10,334		70,690
Total debt service	815	0	21,909	0	22,724		147,320
Federal Expenditures							
CDBG Micro Loan Program		76,000			76,000		
CDBG Small Cities Program				59,500	59,500		
Homeland Security		11,549			11,549		
Total federal expenditures	0	87,549	0	59,500	147,049		0
Total cash disbursements	441,568	87,549	21,909	59,500	610,526		353,057

TOWN OF LAMBERT, MISSISSIPPI
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
 YEAR ENDED SEPTEMBER 30, 2006

	Governmental Activities Types				Total	Business-type Activities
	General	Special Revenue	Debt Service	Capital Project		
OTHER FINANCING SOURCES - (USES):						
Operating transfers in	42,906	500	1,866		45,272	
Operating transfers out	(2,366)	(490)	(6,886)		(9,742)	(35,530)
Total other financing sources, (uses)	40,540	10	(5,020)	0	35,530	(35,530)
Excess cash receipts and other financing sources over/(under) cash disbursements	11,075	25,010	69	10,225	46,379	(49,393)
Cash and investments balance - beginning of year	68,193	1,730	34,448	120,704	225,075	260,501
Cash and investments balance - end of year	79,268	26,740	34,517	130,929	271,454	211,108

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

**TOWN OF LAMBERT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Town of Lambert operates under a Mayor-Board of Aldermen form of government. Town's population on the 2000 census was 1,967. The accounting policies of the Town of Lambert 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 Lambert. 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 inter-dependency, 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 Lambert are organized on the basis of funds, each of which is considered a separate accounting entity. The Town has created several types of funds and a number of discrete funds within each fund type. Each fund is accounted for by a separate set of self-balancing accounts that comprise its fund balance, revenues, and expenditures/expenses. 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 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.

The following funds and groups of accounts are used by the Town:

Governmental Activities 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

**TOWN OF LAMBERT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2006**

charged with all cost of operating the government for which a separate fund has not been established.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt including principal, interest and related costs.

Federal Capital Project Fund - Capital project funds are used to account for financial resources to be used for acquisition and/or construction of major capital facilities. The source of these funds is mostly federal grants or loans.

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

Business-type Activities:

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 budgeted on the modified cash basis of accounting. This is consistent with the applicable laws of Mississippi for municipalities. 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 investments.

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 LAMBERT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2006**

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

Vacation, Sick Leave, and Other Compensated Absences - It is the Town's policy to have all employees take their vacation in the year it is earned. Upon termination, employees are paid for any unused vacation time. Sick leave may only be taken for bonafide sickness and is lost upon termination of employment.

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 2004 of 78 mills on assessed valuation for taxing property within the incorporated boundaries. The Town utilized the county tax rolls and values 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 tax collector.

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

NOTE 3 - CASH AND OTHER DEPOSITS:

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 Depository Insurance Corporation. During the current fiscal year the bank failed to include one of the Town's public fund bank accounts in its reporting to the State Treasurer. The bank has been contacted to include this account for reporting purposes in the future.

The carrying amount of the Town's deposits with financial institutions was \$482,317 and the bank balance was \$500,517.

**TOWN OF LAMBERT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2006**

NOTE 4 - LONG-TERM DEBT:

Transactions of the long-term debt group of accounts are shown in Schedule 2. The following schedule reflects the debt service requirements of the general obligation debt and revenue debt contained in the schedule of long-term debt for the next five years and five year increments thereafter:

	FYE 9-30-07	FYE 9-30-08	FYE 9-30-09	FYE 9-30-10	FYE 9-30-11	FYE 9-30-12 Thru 9-30-16	FYE 9-30-17 Thru 9-30-21	FYE 9-30-22 Thru 9-30-25
<u>GENERAL OBLIGATIONS</u>								
1. General Obligation Street Improvement Bonds								
Interest Rate 4.5%								
Principal	12,200	12,800	13,500	14,100	14,900	86,600	63,400	
Interest	9,788	9,239	8,663	8,055	7,421	26,352	5,801	
2. State of Mississippi Rail Service Revolving Loan								
Interest Rate .25% - 180 Monthly Payments of \$67.93								
Principal	792	793	794	797	800	4,025	1,832	
Interest	23	22	21	18	15	50	9	
<u>REVENUE OBLIGATIONS</u>								
1. Rural Development Water & Sewer System								
Revenue Bond (2000 Issue)								
Interest Rate 4.5%								
Principal	5,062	5,290	5,528	5,777	6,037	34,510	43,006	53,593
Interest	12,293	12,293	11,827	11,578	11,318	52,265	43,769	33,182
							FYE 9-30-27 Thru 9-30-31	FYE 9-30-32 Thru 9-30-34
Water & Sewer System Revenue Bond (2000 Issue)								
Interest Rate 4.5%								
Principal							66,787	45,062
Interest							19,988	7,003

**TOWN OF LAMBERT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2006**

	FYE 9-30-07	FYE 9-30-08	FYE 9-30-09	FYE 9-30-10	FYE 9-30-11	FYE 9-30-12 Thru 9-30-16	FYE 9-30-17 Thru 9-30-21	FYE 9-30-22 Thru 9-30-25
2. Rural Development								
Water & Sewer System								
Revenue Bond (2004 Issue)								
Interest Rate 4.5%								
Principal	13,520	14,128	14,764	15,429	16,123	92,173	114,865	143,142
Interest	44,354	43,745	43,110	42,455	41,751	197,197	174,505	146,228
						FYE 9-30-27 Thru 9-30-31	FYE 9-30-32 Thru 9-30-36	FYE 9-30-37 Thru 9-30-40
Water & Sewer System								
Revenue Bond (2004 Issue)								
Interest Rate 4.5%								
Principal						178,381	222,296	158,851
Interest						110,989	67,074	14,771
						FYE 9-30-12 Thru 9-30-16	FYE 9-30-17 Thru 9-30-21	
3. State of MS Revenue Fund Loan								
Interest Rate 4.5%								
Principal		19,944	20,860	21,818	22,820	23,869	136,833	23,307
Interest		11,717	10,801	9,843	8,841	7,792	21,471	439

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 * At 9-30-06	Amount of Reserve At 9-30-06
Note Payable Rural Development (5% Rate Note)		
Bond Cushion	-0-	21,000
Depreciation Account	-0-	10,000

* This note was paid off during the current fiscal year.

**TOWN OF LAMBERT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2006**

Note Payable Rural Development (2000 Issue - 4.5% Rate Note) (Sewer)		
Contingent	3,168	3,168
Depreciation	3,168	3,168
Bond Cushion	6,424	6,424
Note Payable Rural Development (2004 Issue 4.5% Rate Note) (Water)		
Contingent	7,986	7,986
Depreciation	3,993	3,993
Bond Cushion	3,993	3,993

NOTE 5 - 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 a claim exceeding \$750,000, 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 LAMBERT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2006**

NOTE 6 - CERTIFICATES OF DEPOSIT

Certificates of deposit included in cash balances at September 30, 2006 were as follows:

PROPRIETARY FUNDS:

Water and Sewer Department:

3.75%, due 3-14-07 (Water & Sewer)	24,000
4.50%, due 10-9-07 (Bond Cushion - Reserve)	21,000
4.50%, due 10-9-07 (Depreciation Reserve)	10,000
1.50%, due 10-9-07 (Sewer Bond - Reserve)	5,540
1.50%, due 10-9-07 (Sewer Depreciation - Reserve)	2,725
1.50%, due 10-9-07 (Sewer Contingent - Reserve)	2,725
1.50%, due 10-13-06 (Water - Depreciation Reserve)	2,600
1.50%, due 10-13-06 (Water Contingent - Reserve)	2,600
1.50%, due 10-13-06 (Water Bond Reserve)	<u>5,300</u>

<u>Total Certificates of Deposit</u>	<u>76,490</u>
--------------------------------------	---------------

NOTE 7 - DEFINED BENEFIT PENSION PLAN

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 10.75% 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 current and prior two fiscal years were as follows:

FYE September 30, 2006	17,179
FYE September 30, 2005	16,202
FYE September 30, 2004	13,897

These amounts were equal to the required contribution for these years.

TOWN OF LAMBERT, MISSISSIPPI
 SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
 SEPTEMBER 30, 2006

<u>Name</u>	<u>Position</u>	<u>Date Expired</u>	<u>Company</u>	<u>Bond</u>
Reginald G. Griffin	Mayor	6/13/2007	Western Surety Co.	116,000
British H. Conley	Alderman	7/1/2009	USF&G	10,000
Royce Ray	Alderman	7/1/2009	USF&G	10,000
Bernard White	Alderman	7/1/2009	USF&G	10,000
Larry Stevenson	Alderman	7/1/2009	USF&G	10,000
Alvis Pryor, Jr.	Alderman	7/1/2009	USF&G	10,000
Rena Wade	Police Chief	2/5/2007	RLI Insurance Co.	50,000
Jonathan Dancy	Fire Marshall	7/5/2007	Brierfield Ins. Co.	5,000
Patsy Keel	Town Clerk	6/22/2007	Brierfield Ins. Co.	116,000
Rodella Covington	Municipal Court Clerk	6/22/2007	Brierfield Ins. Co.	50,000

TOWN OF LAMBERT, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
FOR YEAR ENDED SEPTEMBER 30, 2006

	Balance Outstanding <u>10-1-05</u>	Transactions During Fiscal Year		Balance Outstanding <u>9-30-06</u>
		<u>Issued</u>	<u>Redeemed</u>	
GENERAL OBLIGATION BONDS:				
Street Improvement Bond - Interest rate 4.5% - 15 variable annual payments Beginning January 20, 2005 thru January 20, 2019	229,100		11,600	217,500
State of Mississippi Rail Service Revolving Loan - Interest rate 1/4% of 1%. 180 Monthly payments of \$67.93.	<u>10,623</u>		<u>790</u>	<u>9,833</u>
Total general long-term debt	<u>239,723</u>	<u>0</u>	<u>12,390</u>	<u>227,333</u>
REVENUE BONDS:				
Rural Development Water and Sewer System Revenue Bonds. 5% interest rate; original amount of \$362,000 collateralized by revenues and water and sewer plant facilities. Annual payment of \$22,907 (including interest) due each January 1, maturing in the year 2007	38,380		38,380	0
Rural Development Water & Sewer System Revenue Bonds. (2000 Issue) 4.5% interest rate; original amount of \$295,400 collateralized by revenues and water and sewer plant facilities. Monthly payments of \$1,447 (including interest) starting June 17, 2001 until 2034. Annual payments of interest only due May 17, 2001 and May 17, 2002.	275,752		5,100	270,652

TOWN OF LAMBERT, MISSISSIPPI
 SCHEDULE OF LONG-TERM DEBT
 FOR YEAR ENDED SEPTEMBER 30, 2006

	Balance Outstanding <u>10-1-05</u>	Transactions During Fiscal Year		Balance Outstanding <u>9-30-06</u>
		<u>Issued</u>	<u>Redeemed</u>	
Rural Development				
Water & Sewer System Revenue Bonds. (2004 Issue) 4.5% interest rate; original amount of \$998,000 payment in 420 monthly payments of approximately \$4,822.84 beginning February 2005 and ending January 2040	997,754		14,082	983,672
Other Debt:				
State Revolving Fund Loan. 4.5% interest rate original amount of \$411,627, monthly payments of \$2,638 including interest to be withheld from monthly sales tax reimbursement to 2017.	<u>288,519</u>		<u>19,068</u>	<u>269,451</u>
Total enterprise fund debt	<u>1,600,405</u>	<u>0</u>	<u>76,630</u>	<u>1,523,775</u>
Total Town long-term debt	<u><u>1,840,128</u></u>	<u><u>0</u></u>	<u><u>89,020</u></u>	<u><u>1,751,108</u></u>

**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 Aldermen
Town of Lambert
Lambert, Mississippi

We have audited the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities of the Town of Lambert, Mississippi as of and for the year ended September 30, 2006, and have issued our report thereon dated February 11, 2007. 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 of Lambert, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions

involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of Lambert, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities. A reportable condition is outlined below.

Finding:

There is a lack of segregation of duties in the Town Clerk's office. Internal accounting controls of the Town of Lambert 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 Lambert, Mississippi to determine a workable and economically feasible improvement in the internal control structure.

Response:

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Lambert's Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities is 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 did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Town board 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.

Ellis + Hushberg CPA PLLC

February 11, 2007

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

Honorable Mayor and Aldermen
Town of Lambert, Mississippi

We have audited the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities of the Town of Lambert, Mississippi as of and for the year ended September 30, 2006, and have issued our report thereon dated February 11, 2007. 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.

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.

In connection with our audit, nothing came to our attention that caused us to believe that the Town of Lambert, 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.

February 11, 2007

Ellis & Hirsberg CPA PLLC