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**Town of Lambert**  
Financial Statements  
September 30, 2014

**Ellis & Hirsberg**  
Certified Public Accountants, PLLC  
Clarksdale, Mississippi

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Lambert, Mississippi as of and for the fiscal year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash receipts and disbursement basis, which is a comprehensive basis of accounting other than principles generally accepted in the United States of America. See Note 1. This basis includes the designing, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, of the Town of Lambert, Mississippi, as of September 30, 2014, and the respective changes in financial position for the year then ended in conformity with the basis of accounting described in Note 1.

### **Other Matters**

#### *Required Supplementary Information*

The Town of Lambert, Mississippi has not presented the management's discussion and analysis or budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational economic or historical context. Our opinion on the basic financial statements is not affected by the missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Lambert, Mississippi's financial statements taken as a whole. The supplemental information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2015 on our consideration of the Town of Lambert, Mississippi's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the Town of Lambert, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Elizabeth G. P. Lee".

Clarksdale, Mississippi  
August 28, 2015

TOWN OF LAMBERT, MISSISSIPPI  
 STATEMENTS OF ACTIVITIES AND NET ASSETS - CASH BASIS  
 AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Program Cash Receipts				Net (Disbursements) Revenue & Changes in Net Assets		
	Charges for Disbursements	Operating Grants & Contributions	Capital Grants & Contributions	Business-Type Activities	Governmental Activities	Business-Type Activities	Total
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government	\$ 150,479				(150,479)		(150,479)
Public Safety	230,825	2,294			(204,275)		(204,275)
Public Works - Streets & sanitation	139,447	88,977	14,363		(36,107)		(36,107)
Total Governmental Activities	520,751	113,233	16,657	0	(390,861)	0	(390,861)
Business-type Activities:							
Water & Sewer	360,488		359,986			(502)	(502)
Total Business-type Activities	360,488	0	359,986	0	0	(502)	(502)
Total Primary Government	\$ 881,239	473,219	16,657	0	(390,861)	(502)	(391,363)

**GENERAL RECEIPTS:**

Taxes:

Ad valorem taxes	\$	197,411
Sales tax		27,064
Franchise taxes		30,235
Licenses & permits		687

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TOWN OF LAMBERT, MISSISSIPPI  
 STATEMENTS OF ACTIVITIES AND NET ASSETS - CASH BASIS  
 AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Program Cash Receipts			Net (Disbursements) Revenue & Changes in Net Assets		
	Charges for Disbursements	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Unrestricted investment income				125	366	491
Intergovernmental				43,020		43,020
Miscellaneous				13,522		13,522
Transfers				55,898	(55,898)	0
Total general receipts				367,962	(55,532)	312,430
Changes in net assets				(22,899)	(53,034)	(75,933)
Net assets at beginning of year				168,492	258,087	426,579
Net assets at end of year				\$ 145,593	205,053	350,646

The accompanying notes are an integral part of this statement.

TOWN OF LAMBERT, MISSISSIPPI  
 STATEMENTS OF ACTIVITIES & NET ASSETS - CASH BASIS - CONTINUED  
 AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash & cash equivalents	\$ 4,406	42,352	46,758
Restricted cash	<u>141,187</u>	<u>162,701</u>	<u>303,888</u>
 Total assets	 \$ <u><u>145,593</u></u>	 <u><u>205,053</u></u>	 <u><u>350,646</u></u>
 <b>NET ASSETS</b>			
Restricted for bond & interest	\$ 13,121		13,121
Restricted for street maintenance	23,887		23,887
Restricted for fire prevention	102,843		102,843
Restricted for law enforcement	1,336		1,336
Restricted for meter deposits		11,493	11,493
Restricted for water & sewer		151,208	151,208
Unrestricted		42,352	42,352
Unassigned	<u>4,406</u>		<u>4,406</u>
 Total net assets	 \$ <u><u>145,593</u></u>	 <u><u>205,053</u></u>	 <u><u>350,646</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF LAMBERT, MISSISSIPPI  
 STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND  
 CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
 AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Governmental Activities				Business-Type Activities	
	General Fund	Debt Service Fund	Federal Capital Projects	Total	Water & Sewer Fund	Total
RECEIPTS						
Taxes - Ad Valorem	\$ 135,968	18,602		154,570		
Penalties & Interest on Delinquent Taxes	1,852			1,852		
Taxes - Vehicles	37,695	5,146		42,841		
Franchise Fees - Utilities & Cable	30,235			30,235		
Licenses & Permits	687			687		
Homestead Exemption Reimbursement	14,613	1,974		16,587		
ABC - Permit	900			900		
General Sales Tax	27,064			27,064		
Municipal Aid	817			817		
Motor Vehicle Fuel Taxes	4,479			4,479		
Fire Insurance Premium Taxes	8,927			8,927		
Grand Gulf	6,834			6,834		
Road Maintenance	1,177			1,177		
County Fire Aid	3,300			3,300		

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TOWN OF LAMBERT, MISSISSIPPI  
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND  
CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Governmental Activities			Business-Type Activities	
	General Fund	Debt Service Fund	Federal Capital Projects	Total	Water & Sewer
					Fund
Charges for Services:					
Garbage	88,977			88,977	
Water & Sewer				0	359,986
Fines & Forfeits	24,256			24,256	
Interest	91	16	18	125	366
JAG Grant	2,294			2,294	
CDBG - Storm Siren	14,363			14,363	
Other	11,669			11,669	
Total Receipts	416,198	25,738	18	441,954	360,352

DISBURSEMENTS

General Government:	
Salaries & Employee Benefits	79,247
Repairs & Operating Supplies	13,291
	79,247
	13,291

TOWN OF LAMBERT, MISSISSIPPI  
 STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND  
 CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
 AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Governmental Activities			Business-Type Activities		
	General Fund	Debt Service Fund	Federal Capital Projects	Total	Water & Sewer Fund	Total
Telephone & Utilities	6,963			6,963		
Insurance	26,017			26,017		
Other	24,881		81	24,962		
Public Safety - Police:						
Salaries & Employee Benefits	144,492			144,492		
Repairs & Operating Supplies	29,904			29,904		
Telephone & Utilities	4,602			4,602		
Insurance	12,279			12,279		
Other	23,850			23,850		
Training & Travel	10,685			10,685		
Public Safety - Fire:						
Repairs & Operating Supplies	2,219			2,219		
Insurance	2,794			2,794		
Public Works - Streets:						
Salaries & Employee Benefits	19,777			19,777		
Repair & Maintenance	1,879			1,879		
Utilities - Street Lights	31,018			31,018		

TOWN OF LAMBERT, MISSISSIPPI  
 STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND  
 CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
 AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Governmental Activities			Business-Type Activities	
	General Fund	Debt Service Fund	Federal Capital Projects	Total	Water & Sewer Fund
Public Works - Sanitation:					
Garbage Fees	63,146			63,146	
Enterprises - Water & Sewer:					
Salaries & Employee Benefits					107,936
Repairs & Operating Supplies					59,481
Telephone & Utilities					23,395
Insurance					30,457
Other					4,482
Capital Outlay					41,522
Interest on Loans	9	2,860		2,869	58,337
Total Disbursements	497,053	2,860	81	499,994	325,610
Excess of Receipts Over (Under) Disbursements	(80,855)	22,878	(63)	(58,040)	34,742

TOWN OF LAMBERT, MISSISSIPPI  
 STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND  
 CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
 AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Governmental Activities			Business-Type Activities		
	General Fund	Debt Service Fund	Federal Capital Projects	Total	Water & Sewer Fund	Total
OTHER CASH SOURCES (USES)						
Loan Proceeds				0	30,170	30,170
Debt Repaid - Principal	(806)	(19,952)		(20,758)	(62,048)	(62,048)
Transfers In	76,398		19,151	95,549	20,500	20,500
Transfers Out	(39,651)			(39,651)	(76,398)	(76,398)
Total Other Cash Sources (Uses)	<u>35,941</u>	<u>(19,952)</u>	<u>19,151</u>	<u>35,140</u>	<u>(87,776)</u>	<u>(87,776)</u>
Excess (Deficiency) of Receipts and Other Cash Sources Over Disbursements and Other Cash Uses	(44,914)	2,926	19,088	(22,900)	(53,034)	(53,034)
Cash Basis Fund Balance - Beginning of Year	<u>153,499</u>	<u>10,195</u>	<u>4,799</u>	<u>168,493</u>	<u>258,087</u>	<u>258,087</u>
Cash Basis Fund Balance - End of Year	<u>\$ 108,585</u>	<u>13,121</u>	<u>23,887</u>	<u>145,593</u>	<u>205,053</u>	<u>205,053</u>

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TOWN OF LAMBERT, MISSISSIPPI  
 STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND  
 CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
 AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Governmental Activities			Business-Type Activities		
	General Fund	Debt Service Fund	Federal Capital Projects	Total	Water & Sewer Fund	Total
Cash Basis Assets - End of Year						
Cash and Cash Equivalents	\$ 4,406		4,406	4,406	42,352	42,352
Restricted Cash	104,179	13,121	23,887	141,187	162,701	162,701
Total Cash Basis Assets	<u>\$ 108,585</u>	<u>13,121</u>	<u>23,887</u>	<u>145,593</u>	<u>205,053</u>	<u>205,053</u>
Cash Basis Fund Balance - End of Year						
Restricted	\$ 104,179	13,121	23,887	141,187	162,701	162,701
Unassigned	4,406		4,406	4,406		
Unrestricted				0	42,352	42,352
Total Cash Basis Fund Balances	<u>\$ 108,585</u>	<u>13,121</u>	<u>23,887</u>	<u>145,593</u>	<u>205,053</u>	<u>205,053</u>

**TOWN OF LAMBERT, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town operates under a Mayor-Board of Alderpersons form of government and provides all of the rights and privileges provided by statute for municipalities.

**A. Government-wide and Fund Financial Statements**

Basic financial statements consist of the following:

- Statement of activities and net assets - cash basis
- Statement of cash basis assets and fund balances and cash receipts, disbursements and changes in cash basis fund balances

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town combines the statement of activities and statement of net assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include 1) receipts from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when collected and expenditures are recorded when cash is spent.

Governmental fund financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when collected and expenditures are reported when cash is spent.

**TOWN OF LAMBERT, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

The Town reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the Town except those required to be accounted for in other specialized funds.

**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.

**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.

The Town reports the following major proprietary funds:

The **Water and Sewer Fund** accounts for the activities of providing water and sewer services to citizens of the Town.

Additionally, the Town reports the following fund type:

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Amounts reported as *program receipts* include 1) receipts from customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general receipts* rather than as program receipts.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The Town's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

**TOWN OF LAMBERT, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**C. Assets and Net Assets or Equity**

Cash and Investments

The government's cash and cash equivalents are considered to be cash on hand or invested in certificates of deposit.

Net Assets

The Town's government-wide and proprietary net assets are divided into the following components:

**Restricted net assets** - consist of net assets that are restricted by the Town's creditors (for example through debt covenants), by state enabling legislation (through restrictions or shared revenues), by grantors (both Federal and state), and by contributors.

**Unassigned net assets** - all other net assets of governmental activities not meeting the definition of restricted are reported in this category.

**Unrestricted net assets** - all other net assets of business-type activities not meeting the definition of restricted are reported in this category.

**D. 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 government 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 the fiscal year.

**E. 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 THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

- F. **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.

**NOTE 2 - PROPERTY TAXES:**

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

The Town used a tax levy in 2013 of 84 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.

The carrying amount of the Town's deposits with financial institutions was \$350,401 and the bank balance was \$356,773. The Town maintains a \$245 petty cash fund.

**Custodial Credit Risk - Deposits.** Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the Town will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the Town. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the Town. As of September 30, 2014, none of the Town's bank balances of \$356,773 was exposed to custodial credit risk.

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**TOWN OF LAMBERT, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**NOTE 4 - LONG-TERM DEBT:**

The following is a schedule of long-term debt.

	Balance Outstanding <u>10-1-13</u>	<u>Issued</u>	<u>Redeemed</u>	Balance Outstanding <u>9-30-14</u>
<b>GENERAL OBLIGATION BONDS:</b>				
Street Improvement Bond - Interest rate 4.5% - 15 variable annual payments Beginning January 20, 2005 thru January 20, 2019	\$ 71,877		19,952	51,925
State of Mississippi Rail Service Revolving Loan - Interest rate 1/4% of 1%. 180 Monthly payments of \$67.93.	<u>4,253</u>		<u>806</u>	<u>3,447</u>
Total general long-term debt	<u>76,130</u>	<u>0</u>	<u>20,758</u>	<u>55,372</u>
<b>REVENUE BONDS:</b>				
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 2033. Annual payments of interest only due May 17, 2001 and May 17, 2002.	227,421		6,648	220,773
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	874,168		22,417	851,751

**TOWN OF LAMBERT, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

Other Debt:

Southern Bancorp Bank 2 - 2014 Dodge Rams 4.5% Loan originating 5/7/14 Payable 48 monthly payments of \$689	30,170	2,309	27,861
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State Revolving Fund Loan.

4.5% interest rate original amount of \$411,627, monthly payments of \$2,757 including interest to be withheld from monthly sales tax reimbursement to 2017.

132,069	30,674	101,395
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Total enterprise fund debt	<u>1,233,658</u>	<u>30,170</u>	<u>62,048</u>	<u>1,201,780</u>
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Total Town long-term debt	<u>\$ 1,309,788</u>	<u>30,170</u>	<u>82,806</u>	<u>1,257,152</u>
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Transactions of the long-term debt group of accounts are shown in the schedule of long-term debt. 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:

<u>GENERAL OBLIGATIONS</u>	<u>FYE</u> <u>9-30-15</u>	<u>FYE</u> <u>9-30-16</u>	<u>FYE</u> <u>9-30-17</u>	<u>FYE</u> <u>9-30-18</u>	<u>FYE</u> <u>9-30-19</u>	<u>FYE</u> <u>9-30-20</u> <u>Thru</u> <u>9-30-24</u>	<u>FYE</u> <u>9-30-25</u> <u>Thru</u> <u>9-30-29</u>	<u>FYE</u> <u>9-30-30</u> <u>Thru</u> <u>9-30-34</u>
1. General Obligation Street Improvement Bonds Interest Rate 4.5%								
Principal	19,100	20,000	12,825					
Interest	3,713	1,701	577					
2. State of Mississippi Rail Service Revolving Loan Interest Rate .25% - 180 Monthly Payments of \$67.93								
Principal	807	809	811	812	208			
Interest	8	6	4	3	1			
<u>REVENUE OBLIGATIONS</u>								
1. Rural Development Water & Sewer System Revenue Bond (2000 Issue) Interest Rate 4.5%								
Principal	7,610	7,963	8,329	8,712	9,112	52,236	65,189	61,172
Interest	9,754	9,401	9,035	8,652	8,252	34,584	21,411	5,484

**TOWN OF LAMBERT, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

	FYE 9-30-15	FYE 9-30-16	FYE 9-30-17	FYF 9-30-18	FYE 9-30-19	FYE 9-30-20 Thru 9-30-24	FYE 9-30-25 Thru 9-30-29	FYE 9-30-30 Thru 9-30-34	FYE 9-30-35 Thru 9-30-39
<b>2. Rural Development</b>									
<b>Water &amp; Sewer System</b>									
<b>Revenue Bond (2004 Issue)</b>									
<b>Interest Rate 4.5%</b>									
Principal	19,545	20,425	21,344	22,304	23,308	133,249	166,053	206,932	238,591
Interest	38,329	37,449	36,530	35,570	34,566	156,121	123,317	82,438	31,494
<b>3. State of MS Revolving Fund Loan</b>									
<b>Interest Rate 4.5%</b>									
Principal	39,931	37,102	24,355						
Interest	3,234	1,862	459						
<b>4. Southern Bancorp</b>									
<b>Interest Rate 4.5%</b>									
Principal	7,113	7,476	7,824	5,418					
Interest	123	790	442	93					

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 9-30-14</u>	Amount of Reserve <u>At 9-30-14</u>
<b>Note Payable Rural Development (2000 Issue - 4.5% Rate Note) (Sewer)</b>		
Contingent	4,339	4,339
Depreciation	4,339	4,339
Bond Cushion	8,677	8,677
<b>Note Payable Rural Development (2004 Issue 4.5% Rate Note) (Water)</b>		
Bond Cushion	25,410	28,964
Depreciation	12,705	14,482
Contingent	12,705	14,482

**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.

**TOWN OF LAMBERT, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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 fire fighters and police and \$500,000 for all others. For a claim exceeding \$750,000 and \$500,000, 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.

**NOTE 6 - 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 currently required to contribute 9.00% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 15.75% 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, 2014	28,941
FYE September 30, 2013	23,297
FYE September 30, 2012	21,130

**TOWN OF LAMBERT, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

**NOTE 7 - INTERFUND TRANSFERS**

Interfund transfers during the year were as follows:

<u>Transfer to</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 76,398
Water & Sewer Fund	General Fund	20,500

The above interfund transfers are operating transfers necessary to move funds collected in one fund to another fund in accordance with the Town's annual budgets.

**NOTE 8 - ECONOMIC DEPENDENCY**

The Town is a rural community located in the Mississippi Delta. It is dependent on ad valorem taxes and user fees from its residents to remain viable.

**NOTE 9 - INVESTMENTS**

All investments are certificates of deposit with banks as outlined below.

WATER AND SEWER FUND:	
.35%, Due 3-4-14 (Water & Sewer)	\$ 24,000
.89%, Due 10-9-14 (Bond Cushion - Reserve)	10,000
.89%, Due 10-9-14 (Depreciation Reserve)	21,000
.89%, Due 10-12-14 (Sewer Bond - Reserve)	8,677
.89%, Due 10-12-14 (Sewer Depreciation - Reserve)	4,339
.89%, Due 10-12-14 (Sewer Contingent - Reserve)	4,339
.89%, Due 10-23-13 (Water - Depreciation Reserve)	14,482
.89%, Due 10-23-13 (Water Contingent - Reserve)	14,482
.89%, Due 10-23-13 (Water Bond Reserve)	<u>28,964</u>
 Total Investments	 \$ <u><u>130,283</u></u>

Certificates of deposit are included in cash in the water and sewer fund business-type activities.

**NOTE 10 - SUBSEQUENT EVENTS**

Management of the Town of Lambert evaluated the activity of the Town through August 28, 2015 and determined that no subsequent event had occurred which would require disclosure in the notes to the financial statements for its year end September 30, 2014.

“Unaudited”

TOWN OF LAMBERT, MISSISSIPPI  
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS  
SEPTEMBER 30, 2014

<u>Name</u>	<u>Position</u>	<u>Date Expired</u>	<u>Company</u>	<u>Bond</u>
Joe N. Smith	Mayor	7-1-2015	Western Surety Company	\$ 100,000
Ricky Poole	Alderman	7-1-2017	Travelers Casualty & Surety Company of America	50,000
Royce Ray	Alderman	7-1-2017	Travelers Casualty & Surety Company of America	50,000
Bernard White	Alderman	7-1-2017	Travelers Casualty & Surety Company of America	50,000
Larry Stevenson	Alderman	7-1-2017	Travelers Casualty & Surety Company of America	50,000
Alvis Pryor, Jr.	Alderman	7-1-2017	Travelers Casualty & Surety Company of America	50,000
Marvin L. Pryor	Police Chief	4-17-2015	RLI Surety	50,000
Patsy Keel	Town Clerk	6-22-2015	RLI Surety	100,000
Rodella Covington	Municipal Court Clerk	6-22-2015	RLI Surety	50,000

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**OCT 08 2015**

"Unaudited"

TOWN OF LAMBERT, MISSISSIPPI  
SCHEDULE OF CAPITAL ASSETS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental activities:				
Capital Assets:				
Land	\$ 21,046			21,046
Buildings	144,069		4,576	139,493
Machinery and equipment	65,734		11,145	54,589
Infrastructure	<u>515,147</u>		<u>31,823</u>	<u>483,324</u>
Total Governmental activities capital assets	\$ <u>745,996</u>	<u>0</u>	<u>47,544</u>	<u>698,452</u>
Business-type activities				
Capital Assets:				
Machinery & Equipment	2,755	41,522	4,442	39,835
Water and Sewer System	\$ <u>1,388,238</u>		<u>188,622</u>	<u>1,199,616</u>
Total Business-type activities capital assets	\$ <u>1,390,993</u>	<u>41,522</u>	<u>193,064</u>	<u>1,239,451</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, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Lambert, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Lambert, Mississippi's basic financial statements and have issued our report thereon dated August 28, 2015. 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. The Town of Lambert, Mississippi has not presented the management's discussion and analysis or budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational economic or historical context. Our opinion on the basic financial statements is not affected by the missing information.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Lambert, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Lambert, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Lambert, Mississippi's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

*A deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as Findings 14-1 and 14-2 to be material weaknesses.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

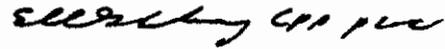
## **Compliance and Other Matters**

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*.

The Town of Lambert, Mississippi's response to the findings identified in our audit is described in the schedule of findings and responses. We did not audit the Town of Lambert, Mississippi's responses and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Clarksdale, Mississippi  
August 28, 2015

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**TOWN OF LAMBERT, MISSISSIPPI  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2014**

14-1 Finding:

There is a lack of segregation of duties in the Town Clerk's office. Internal accounting controls of the Town of Lambert, Mississippi 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 the duties due to the limited funding resources of a small municipality.

14-2 Finding:

The person responsible for the Town of Lambert, Mississippi'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 Lambert, Mississippi and provide continuing education when available to enhance the knowledge of the staff.

Response:

The Town of Lambert, Mississippi 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 Aldermen  
Town of Lambert  
Lambert, Mississippi

In planning and performing our audit of the financial statements of the Town of Lambert, Mississippi for the year ended September 30, 2014, we considered the Town of Lambert, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to the Town of Lambert, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Town's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated August 28, 2015, on the financial statements of Town of Lambert, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and test of transactions for this or other fiscal years to ensure compliance with legal requirements.

This report is intended solely for the information and use of management, Board of Aldermen, State Auditor's Office 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.



Clarksdale, Mississippi  
August 28, 2015