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LAMAR COUNTY, MISSISSIPPI

**Audited Primary Government Financial Statements and
Special Reports**

For the Year Ended September 30, 2006

Wright CPA Group, PLLC

LAMAR COUNTY, MISSISSIPPI
Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2006

LAMAR COUNTY
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LAMAR COUNTY

FINANCIAL SECTION

WRIGHT CPA GROUP, PLLC



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INDEPENDENT AUDITORS' REPORT ON THE PRIMARY GOVERNMENT BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Members of the Board of Supervisors
Lamar County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lamar County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of Lamar County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Lamar County, Mississippi, as of September 30, 2006, and the respective changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information for the primary government of Lamar County, Mississippi, as of September 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2007, on our consideration of Lamar County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Lamar County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lamar County, Mississippi's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and , in our opinion, is fairly stated, in all material aspects, in relation to the basic financial statements taken as a whole.

Wright CPA Group, PLLC

July 2, 2007
Wright CPA Group, PLLC

LAMAR COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

LAMAR COUNTY
Statement of Net Assets
September 30, 2006

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 10,128,713
Property tax receivable	14,048,276
Fines receivable (net of allowance for uncollectibles)	79,040
Intergovernmental receivables	560,582
Other receivables	113,279
Restricted assets	228,937
Non-depreciable capital assets	4,438,511
Depreciable capital assets, net of accumulated depreciation	71,294,872
Total Assets	<u>100,892,210</u>
LIABILITIES	
Claims payable	644,536
Accrued expenses	417,961
Intergovernmental payables	485,332
Accrued interest payable	294,283
Deferred revenue	14,048,276
Other payables	140,341
Long-term liabilities:	
Due within one year:	
Capital debt	2,531,487
Non-capital debt	49,425
Due in more than one year:	
Capital debt	9,769,111
Non-capital debt	397,788
Total Liabilities	<u>28,778,540</u>
NET ASSETS	
Invested in capital assets, net of related debt	63,432,785
Restricted for:	
Expendable:	
General government	3,355,470
Public safety	975,470
Public works	3,257,871
Culture and recreation	302,244
Debt service	379,482
Unrestricted	410,348
Total Net Assets	<u>\$ 72,113,670</u>

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

LAMAR COUNTY
Statement of Activities
September 30, 2006

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 6,474,199	935,780	3,150		(5,535,269)
Public Safety	6,581,942	1,376,471	481,054	138,939	(4,585,478)
Public works	12,709,158	-	2,762,414	359,772	(9,586,972)
Health and welfare	402,288	-	161,755		(240,533)
Culture and recreation	1,287,345	-	-		(1,287,345)
Conservation of natural resources	94,764	-	5,419		(89,345)
Economic development and assistance	553,281	-	25,000		(528,281)
Interest on long-term debt	904,079	-	-		(904,079)
Total Governmental Activities	\$ 29,007,056	2,312,251	3,438,792	498,711	(22,757,302)
General revenues:					
Property taxes					17,795,262
Road & bridge privilege taxes					605,989
Grants & contributions - not specific					3,330,614
Unrestricted investment income					471,942
Miscellaneous					2,264,177
Total General Revenues					24,467,984
Changes in Net Assets					1,710,682
Net Assets - Beginning					70,181,539
Prior Period Adjustment					221,449
Net Assets - Beginning as restated					70,402,988
Net Assets - Ending					\$ 72,113,670

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

LAMAR COUNTY

Exhibit 3

Balance Sheet - Governmental Funds

September 30, 2006

	Major Funds			Total Governmental Funds
	General fund	Road Maintenance Fund	Other Governmental Funds	
ASSETS				
Cash	\$ 4,739,303	1,823,534	3,565,876	10,128,713
Property tax receivable	7,240,280	2,933,917	3,874,079	14,048,276
Accounts receivable (net of allowance for uncollectables)				-
Fines receivable (net of allowance for uncollectibles)	79,040			79,040
Intergovernmental receivables	550,442		10,140	560,582
Other receivables	42,895	8,608	61,776	113,279
Due from other funds		131,604	89,909	221,513
Restricted assets			228,937	228,937
TOTAL ASSETS	\$ 12,651,960	4,897,663	7,830,717	25,380,340
LIABILITIES & FUND BALANCES				
Liabilities:				
Claims payable	\$ 309,238	175,864	159,434	644,536
Accrued expenses	259,564	89,044	69,353	417,961
Intergovernmental payables	464,473			464,473
Due to other funds	242,372			242,372
Deferred revenue	7,319,320	2,933,917	3,874,079	14,127,316
Other payables	140,341			140,341
TOTAL LIABILITIES	8,735,308	3,198,825	4,102,866	16,036,999
FUND BALANCES:				
Reserved for:				
Debt service			379,482	379,482
Unreserved, reported in:				
General fund	3,916,652			3,916,652
Special revenue funds		1,698,838	2,847,787	4,546,625
Capital project			500,582	500,582
TOTAL FUND BALANCES	3,916,652	1,698,838	3,727,851	9,343,341
TOTAL LIABILITIES & FUND BALANCES	\$ 12,651,960	4,897,663	7,830,717	25,380,340

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

LAMAR COUNTY

Exhibit 3.1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2006

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 9,343,341
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$75,733,383	75,733,383
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(12,747,811)
Debt service expenditures are recognized only when payment is due and, therefore, accrued interest expenditures are not reported in the funds.	(294,283)
Fines receivable long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	79,040
Total Net Assets - Governmental Activities	<u>\$ 72,113,670</u>

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

LAMAR COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2006

	Major Funds			Total Governmental Funds
	General fund	Road Maintenance Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 9,451,384	3,940,865	4,403,013	17,795,262
Road and Bridge privilege taxes		605,989		605,989
Licenses, commissions and other revenue	585,090		15,151	600,241
Fines and forfeitures	399,116			399,116
Intergovernmental revenues	3,562,334	2,667,224	1,019,048	7,248,606
Grant income	14,085			14,085
Charges for services	195,498		924,575	1,120,073
Interest income	291,481	86,745	93,716	471,942
Miscellaneous revenues	1,288,032	44,725	679,486	2,012,243
Total Revenues	15,787,020	7,345,548	7,134,989	30,267,557
EXPENDITURES				
General Government	5,991,877		186,167	6,178,044
Public Safety	4,788,881		1,950,857	6,739,738
Public Works		8,779,592	3,905,843	12,685,435
Health and Welfare	402,288			402,288
Culture and Recreation	1,100,883		202,321	1,303,204
Conservation of Natural Resources	94,764			94,764
Economic Development and Assistance	545,252		3,807	549,059
Debt Service				-
Principal	313,066	3,006,752	1,841,593	5,161,411
Interest	45,241	114,398	450,157	609,796
Agent Fees	-	-	4,200	4,200
Total expenditures	13,282,252	11,900,742	8,544,945	33,727,939
Excess of revenues over (under) expenditures	2,504,768	(4,555,194)	(1,409,956)	(3,460,382)
OTHER FINANCIAL SOURCES (USES)				
Long-term capital debt issued	50,000	1,352,800	140,191	1,542,991
Long-term non-capital debt issued		1,604,748	-	1,604,748
Proceeds from sale of capital assets	4,284	1,550,162	20,460	1,574,906
Transfers in		-	2,305,487	2,305,487
Transfers out	(2,233,142)	-	(72,345)	(2,305,487)
Total Other Financing Sources (Uses)	(2,178,858)	4,507,710	2,393,793	4,722,645
Net Change in Fund Balance	325,910	(47,484)	983,837	1,262,263
Fund Balances - Beginning	3,590,742	1,746,322	2,744,014	8,081,078
Fund Balance- Ending	\$ 3,916,652	1,698,838	3,727,851	9,343,341

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

LAMAR COUNTY

Exhibit 4.1

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2006

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 1,262,263
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, no cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from th</p>	(113,233)
<p>In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the</p>	(1,117,084)
<p>Fine revenue recognized in the modified accrual basis in the funds during the current year is increased and bad debt expense is increased on the Statement of Activities using the full-accrual basis of accounting.</p>	(6,946)
<p>Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces l</p>	2,013,672
<p>Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is pr</p>	
<p>Increase in compensated balances</p>	(33,707)
<p>Increase in interest from accrual</p>	(294,283)
Changes in Net Assets of Governmental Activities	<u>\$ 1,710,682</u>

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

LAMAR COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2006

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 457,876
Other receivables	116,658
Due from other funds	<u>20,859</u>
Total Assets	\$ <u>595,393</u>
LIABILITIES	
Other payables	\$ 535,523
Intergovernmental payables	<u>59,870</u>
Total Liabilities	\$ <u>595,393</u>

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

LAMAR COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2006

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Lamar County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Lamar County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Lamar County Economic Development District
- Northeast Lamar Fire Protection District
- Progress Fire Protection District
- Central Lamar Fire Protection District
- Southwest Lamar Fire Protection District
- Oak Grove Fire Protection District
- Lamar County Library Association

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Individual Component Unit Disclosures.

Blended Component Units

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component units' balances and transactions are blended with the balances and transactions of the primary government.

Lamar County Public Improvement Corporation was incorporated as a nonprofit corporation under Section 31-8-3, Miss. Code Ann. (1972), which allows counties to enter into lease agreements with any corporation. The corporation's five-member board of directors is appointed by the Board of Supervisors. The corporation produces a financial benefit through its ability to finance the construction, acquisition and renovation of capital facilities for the primary government and imposes a financial burden on the primary government by obligating funds to repay the debt

LAMAR COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2006

(1) Summary of Significant Accounting Policies (Continued)

pursuant to a lease agreement. See Note 10 for further disclosure concerning the issuance of certificates of participation (COPs) and related capital facilities.

C. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government and its blended component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Assets presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the county, with certain limited exceptions. Internal service fund balances have been eliminated against the expenses and program revenue. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental and fiduciary funds. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

D. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

LAMAR COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2006

(1) Summary of Significant Accounting Policies (Continued)

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within sixty days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - Accounts for all activities of the general government for which a separate fund has not been established.

Road Maintenance Fund - Accounts for monies from specific revenue sources that are restricted for road maintenance.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

FIDUCIARY FUND TYPES

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association

F. Deposits.

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

LAMAR COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2006

(1) Summary of Significant Accounting Policies (Continued)

Cash includes cash on hand, demand deposits, and all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

G. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

I. Restricted Assets.

Non-General Obligation debt issuance trust agreements require assets to be held and/or used as specified in the trust agreements and have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

J. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental-activities column in the government-wide financial statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide activities. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds.

LAMAR COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2006

(1) Summary of Significant Accounting Policies (Continued)

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy will correspond with the amounts for the asset classification, as listed above.

K. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

L. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvements of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

LAMAR COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2006

(1) Summary of Significant Accounting Policies (Continued)

M. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

N. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

O. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

LAMAR COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2006

(2) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
Correction of prior year accrual relating to deferred revenue	\$ <u>221,449</u>
Total prior period adjustment	\$ <u><u>221,449</u></u>

The prior year net asset conversion between the fund and government-wide financial statements was understated due to recognition of deferred revenue relating to fines receivable in the amount of \$221,449.

(3) Deposits and Investments

The carrying amount of the county's total deposits with financial institutions at September 30, 2006, was \$10,586,589 and the bank balance was \$12,097,296. The collateral for public entities' deposits in financial institutions is 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.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. 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 county.

LAMAR COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2006

(4) Restricted Assets.

The Trust Agreement between Lamar County and its Trustee for its \$5,775,000 Lamar County Certificates of Participation (Lamar County, Mississippi Jail Project), Series 2001, requires a Debt Service Reserve Requirement of \$227,437 and an Administrative Expense Fund Requirement of \$1,500. The Trustee shall administer the fund during the life of the Certificates of Participation. At September 30, 2006, the amount of restricted assets maintained by the Trustee was \$228,937.

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2006:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Road Maintenance	General	\$ 131,604
Other Government Agency	General	89,909
	General	20,859
Total		<u>\$ 242,372</u>

The receivables represent the tax revenue collected but not settled until October 2006. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	<u>2,305,487</u>
Total		<u>\$ 2,305,487</u>

The principal purpose of interfund transfers was to provide funds for cash flow purposes. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2006, consisted of the following:

LAMAR COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2006

Governmental Activities:

Description	Amount
Legislative Tax Credit	\$ 325,196
Additional Privilege Tax	15,509
Housing Prisoners	19,020
Oil, Gas and Timber Severance	157,163
Other	43,694
Total Governmental Activities	\$ 560,582

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2006:

Governmental activities:

	Balance 10/01/05	Additions	Deletions	Adjustment	Balance 9/30/06
Non-depreciable capital assets:					
Land	\$ 813,663	\$ 540,700			\$ 1,354,363
Construction in progress	78,188	3,005,960			3,084,148
Total non-depreciable capital assets	891,851	3,546,660	-	-	4,438,511
Depreciable capital assets:					
Infrastructure	138,421,466				138,421,466
Buildings	13,176,620	173,000			13,349,620
Improvements other than buildings	306,311				306,311
Mobile equipment	5,668,239	857,475	469,863	682,247	6,738,098
Furniture and equipment	1,171,752	80,673			1,252,425
Leased property under capital leases	5,358,162	1,598,064	1,595,908	(682,247)	4,678,071
Total depreciable capital assets	164,102,550	2,709,212	2,065,771	-	164,745,991
Less accumulated depreciation for:					
Infrastructure	79,770,467	4,573,702			84,344,169
Buildings	1,285,922	266,510			1,552,432
Improvements other than buildings	92,589	12,253			104,842
Mobile equipment	3,817,019	444,136	334,992	412,088	4,338,251
Furniture and equipment	809,527	112,266			921,793
Leased property under capital leases	2,255,177	960,238	613,695	(412,088)	2,189,632
Total accumulated depreciation	88,030,701	6,369,105	948,687	-	93,451,119
Total depreciable capital assets, net	76,071,849	(3,659,893)	1,117,084	-	71,294,872
Governmental activities capital assets, net	76,963,700	(113,233)	1,117,084	-	75,733,383

Adjustments to fixed assets resulted from leased property under capital leases that were paid off during the fiscal year and allocated to their appropriate classification.

Additions to Leased property under capital leases is different from additions to long-term debt for capital leases due to down payments made at the acquisition date.

LAMAR COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2006

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 629,445
Public safety	214,086
Public works	5,506,241
Culture and recreation	16,670
Economic development and assistance	<u>2,663</u>
 Total governmental activities depreciation expense	 \$ <u><u>6,369,105</u></u>

There were no commitments with respect to unfinished capital projects at September 30, 2006.

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$750,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2006, to January 1, 2007. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The county finances its exposure to risk of loss relating to employee health and accident coverage through a commercial insurance company.

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2006:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 4,498,196
Other furniture and equipment	<u>179,875</u>

LAMAR COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2006

Classes of Property	Governmental Activities
Total	\$ 4,678,071
Less: Accumulated depreciation	<u>(2,189,632)</u>
Leased Property Under Capital Leases	<u>\$ 2,488,439</u>

The following is a schedule by years of the total payments due as of September 30, 2006:

Year Ending September 30	Governmental Principal	Interest
2007	\$ 1,551,445	113,162
2008	434,836	50,914
2009	777,198	28,991
2010	237,601	16,779
2011	99,288	9,310
2012-2013	<u>157,504</u>	<u>8,879</u>
Total	<u>\$ 3,257,872</u>	<u>228,035</u>

(10) Long-term Debt.

Debt outstanding as of September 30, 2006, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Lamar County G.O. Refunding Bonds, Series 2002	\$ 3,490,000	3.8 to 4.0	07-2013
B. Limited Obligation Bonds:			
Certificates of Participation (Jail Project), Series 2001	\$ 4,740,000	4.6 to 5.1	09-2021
C. General Obligation Notes:			
G.O. Negotiable Note, Series 2003	\$ 166,514	2.74	01-2008
D. Capital Leases:			
Fire Truck (Northeast Lamar)	61,952	4.56	11-2008
Fire Truck (Oak Grove)	51,510	4.56	11-2008
3: Vacuum Tanker Trucks (Oloh, Central Lamar, Hickory Grove)	133,378	5.71	08-2010
Fire Truck (Southeast Lamar)	54,140	5.35	03-2011
Vacuum Tanker Truck (Oak Grove)	30,789	5.71	08-2010
Fire Truck (Northeast Lamar)	100,221	3.64	05-2013

LAMAR COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2006

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Fire Truck Mini-Pumper (Progress)	77,601	3.67	04-2013
Fire Truck (Purvis)	77,601	3.67	04-2013
Fire Truck (Black Creek)	114,870	3.84	12-2012
Fire Truck (Progress)	86,373	3.84	12-2012
Fire Truck (Hickory Grove)	48,127	3.64	04-2013
6: 2004 Crown Victoria (Sheriff)	39,416	3.04	05-2008
Fire Truck (Southwest Lamar)	27,843	3.19	12-2008
2: Case Motorgraders	245,180	3.38	10-2008
Kobeco Track Hoe	121,933	3.38	10-2008
4: 2005 Dodge ¾ Ton Trucks	59,718	3.18	01-2010
Asphalt Recycling Machine	53,329	3.18	01-2010
2: Rear Loaders	43,730	3.18	04-2010
4: 2005 Ford Crown Victorias & 1: 2005 Ford Taurus	65,102	3.18	04-2010
Pothole Patcher	69,444	3.18	06-2010
2: 2005 Int'l Model 4300 Chassis	60,596	3.11	02-2010
2: 2006 Knuckleboom Loaders	126,081	3.42	09-2010
3: Sheriff Cars	42,044	3.67	03-2009
2: Wheel Loaders	209,102	3.64	04-2009
12: 2007 Mack Trucks	1,132,800	3.19	03-2007
2: International Garbage Trucks	71,424	3.77	02-2011
2: Garbage Bodies	53,568	3.77	02-2011
Total Capital Leases	\$ 3,257,872		
E. Other Loans:			
Capital Improvement Loan (United Protective Clothing)			
	361,104	3.75	04-2011
City of Purvis Inter-local Agreement (United Protective Clothing)			
	73,027	3.75	09-2010
Lamar County Economic Development District Inter-local Agreement (United Protective Clothing)			
	136,076	3.75	09-2010
Capital Improvement Loan (Multipurpose Building)			
	287,878	3.00	08-2014
Total Other Loans	\$ 858,085		

LAMAR COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2006

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2007	\$ 560,000	123,405	230,000	223,928
2008	575,000	107,445	240,000	214,842
2009	580,000	89,333	245,000	205,123
2010	595,000	68,743	260,000	194,833
2011-2013	1,180,000	81,014	270,000	183,653
2014-thereafter			3,495,000	1,026,492
Total	\$ 3,490,000	469,940	4,740,000	2,048,871

Year Ending September 30	General Obligation Notes		Other Loans	
	Principal	Interest	Principal	Interest
2007	82,132	4,562	157,694	28,275
2008	84,382	2,312	163,422	22,546
2009			169,359	19,442
2010			175,513	10,454
2011 - 2014			192,097	9,810
Total	\$ 166,514	6,874	858,085	90,527

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2006, the amount of outstanding debt was equal to .79% of the latest property assessments.

Certificates of Participation - Certificates of Participation (COP's), designed as "qualified tax exempt obligations" for purposes of Section 265 of the Internal Revenue Code of 1986, as amended, were issued during the fiscal year ended September 30, 2002, for the purpose of financing the construction of a law enforcement complex. The COP's are not general obligations of the county and, therefore, are not secured by the county's full faith and credit. However, the county, as lessee, is obligated as the sole source of payment pursuant to a 20-year lease purchase agreement for the law enforcement complex with the lessor, Lamar County Public Improvement Corporation, a blended component unit of Lamar County. Because the county's obligation to make lease payments is also the sole source of payment for the

LAMAR COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2006

COP's, the lease obligation is not recorded. Instead, the COP's are considered, in substance, limited debt obligations of the county, and accordingly, are reflected in the Statement of Net Assets. The COP's are being retired by General Fund revenues, and title to the property will transfer to the county upon satisfactory performance of the lease terms.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2006:

	Balance Oct. 1, 2005	Additions	Reductions	Balance Sept. 30, 2006	Amount within one year
Governmental Activities:					
Compensated absences	\$ 204,212	33,707		237,919	
General obligation bonds	4,035,000		545,000	3,490,000	560,000
Limited obligation bonds	4,960,000		220,000	4,740,000	230,000
General obligation notes	1,108,488		941,939	166,549	82,132
Capital leases	3,409,098	1,542,800	1,694,026	3,257,872	1,551,086
Other loans	1,013,592	1,604,939	1,763,060	855,471	157,694
Total	\$ 14,730,390	3,181,446	5,161,411	12,747,811	2,580,912

(11) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. The county is currently involved in a legal proceeding involving underpayment of a contractual agreement with regards to the Highway, Planning and Construction Federal Program for debris removal following Hurricane Katrina. The amount under dispute is the difference between the original bid price of \$17.50/cubic yard and the subsequently approved price of \$21.00/cubic yard. Expenses of the county were reimbursed by the State of Mississippi (MEMA) at the increased rate; however the amount paid to the plaintiff was at the original rate. The county is liable to either the State of Mississippi (MEMA) or the plaintiff for the difference of \$318,650.50 depending on the outcome of the lawsuit. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

Justice Court - During the audit of the fiscal year ending September 30, 2003, we noted discrepancies in Justice Court deposits. The matter was turned over to the Office of the State Auditor for further investigation; however, no final outcome has been reached.

LAMAR COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2006

(12) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Mississippi Regional Housing Authority VIII operated in a district composed of the counties of Covington, Forrest, George, Greene, Lamar, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone, and Wayne. The governing body is a 15-member board of commissioners, one appointed by the Board of Supervisors of each of the member counties and one appointed at large. The counties generally provide no financial support to the organization.

Pearl River Valley Opportunity, Inc., operates in a district composed of the counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Lamar County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. Each county provides a modest amount of financial support when matching funds are required for federal grants.

Southeast Mississippi Air Ambulance District provides air ambulance service to the Counties of Covington, Forrest, Greene, Jefferson Davis, Lamar, Marion, Pearl River, Perry and Walthall. The Lamar County Board of Supervisors appoints one of the nine members of the board of directors. There is no ongoing financial interest or responsibility for the appointing authorities.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Lamar County Board of Supervisors appoints one of the nine members of the board of commissioners. The county provides only modest financial support for the entity.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Lamar County Board of Supervisors appoints one of the 27 members of the board of directors. The county contributes a small percentage of the district's total revenue.

Pear River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion, and Pearl River. The Lamar County Board of Supervisors appoints two of the 16 members of the college board of trustees. The county appropriated \$370,996 for maintenance and support of the college in the fiscal year 2005.

Pearl and Leaf River Rails-to-Trails Recreational District operates in a district composed of the counties of Forrest, Jefferson Davis and Lamar, and the Cities of Bassfield, Hattiesburg, Prentiss and Sumrall. The Lamar County Board of Supervisors appoints one of the seven members of the board of directors. Each entity provides modest financial support when funds are required. The county appropriated \$75,505 for support of the district in fiscal year 2005.

(13) Defined Benefit Pension Plan.

Plan Description. Lamar County, Mississippi, 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 information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

LAMAR COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2006

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county 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 are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2006, 2005 and 2004 were \$745,642, \$ 642,513 and \$569,466, respectively, equal to the required contributions for each year.

(14) No commitment debt (not included in Financial Statements)

No commitment debt is repaid only by entities for which the debt was issued and includes debt that either bears the county's name or for which a moral responsibility may exist that is not an enforceable promise to pay. The debt explicitly states the absence of an obligation by the county other than possibly assisting creditors in exercising their rights in the event of default. The principal amount of such debt is disclosed as follows:

Description	Balance at 9/30/06
Home Depot TIF Bonds	\$650,000

(15) Subsequent Events.

Subsequent to September 30, 2006, the county issued the following debt obligation(s):

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10-04-06	3.86%	\$ 70,000	Lease Purchase	Property Tax
03-02-07	3.81%	\$ 985,000	Lease Purchase	Property Tax
03-02-07	3.81%	\$ 100,000	Lease Purchase	Property Tax
12-21-06	3.94%	\$ 169,000	Lease Purchase	Property Tax
03-23-07	3.34%	\$ 100,000	Lease Purchase	Property Tax
02-01-07	2.00%	\$ 181,764	Revolving Loan	Property Tax
02-01-07	2.00%	\$ 181,764	Revolving Loan	Property Tax

LAMAR COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LAMAR COUNTY
 Budgetary Comparison Schedule
 Budget and Actual (Non-GAAP Basis)
 General Fund
 FYE September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 8,844,533	11,796,992	11,796,992	-
Licenses, commissions and other revenue	482,000	586,896	586,896	-
Fines and forfeitures	391,400	393,167	393,167	-
Intergovernment revenues	2,025,172	1,089,599	1,089,599	-
Charges for services	165,000	191,178	191,178	-
Interest income	186,000	304,852	304,852	-
Miscellaneous revenues	412,913	1,286,340	1,286,340	-
TOTAL REVENUES	12,507,018	15,649,024	15,649,024	-
EXPENDITURES				
General Government	6,025,636	6,064,543	6,064,543	-
Public Safety	4,061,868	4,281,387	4,281,387	-
Public Works	-	-	-	-
Health and Welfare	458,889	404,793	404,793	-
Culture and Recreation	582,842	1,101,791	1,101,791	-
Education	-	-	-	-
Conservation of Natural Resources	94,778	93,272	93,272	-
Economic Development and Assistance	471,100	513,900	513,900	-
Debt Service	-	-	-	-
Principal	556,554	565,039	565,039	-
Interest	39,710	267,054	267,054	-
Agents fee	2,500	2,500	2,500	-
TOTAL EXPENDITURES	12,293,877	13,294,279	13,294,279	-
Excess of revenues over (under) expenditures	213,141	2,354,745	2,354,745	-
OTHER FINANCIAL SOURCES (USES)				
Long-term capital debt issued	154,000	50,000	50,000	-
Proceeds from sale of capital assets	20,000	4,284	4,284	-
Transfers in	-	-	-	-
Transfers out	(1,280,091)	(2,233,142)	(2,233,142)	-
Total Other Financing Sources (Uses)	(1,106,091)	(2,178,858)	(2,178,858)	-
Net Change in Fund Balance	\$ <u>(892,950)</u>	<u>175,887</u>	175,887	<u>-</u>
Fund Balance - Beginning			3,590,742	
Net adjustment for revenue accruals			522,858	
Net adjustment for expenditure accruals			<u>(372,835)</u>	
Fund Balance - Ending			<u>\$ 3,916,652</u>	

The accompanying notes to the Required Supplementary Information are an integral part of this statement

LAMAR COUNTY
 Budgetary Comparison Schedule
 Budget and Actual (Non-GAAP Basis)
 Road Maintenance Fund
 FYE September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 3,750,486	3,942,640	3,942,640	-
Road and bridge privilege taxes	525,000	611,890	611,890	-
Intergovernment revenues	609,500	2,685,764	2,685,764	-
Interest income	55,000	98,359	98,359	-
Miscellaneous revenues	10,000	36,441	36,441	-
TOTAL REVENUES	4,949,986	7,375,094	7,375,094	-
EXPENDITURES				
Public works	8,017,146	8,776,612	8,776,612	-
Debt service:				-
Principal	1,399,573	3,058,272	3,058,272	-
Interest	61,559	62,878	62,878	-
TOTAL EXPENDITURES	9,478,278	11,897,762	11,897,762	-
Excess of Revenues over (under) Expenditures	(4,528,292)	(4,522,668)	(4,522,668)	-
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	1,272,909	1,550,162	1,550,162	-
Proceeds from long-term capital debt	2,143,000	1,352,800	1,352,800	-
Proceeds from non-capital debt		1,604,748	1,604,748	-
Transfers in (out)	725,000		-	-
TOTAL OTHER FINANCING SOURCES	4,140,909	4,507,710	4,507,710	-
Net Change in Fund Balance	\$ (387,383)	(14,958)	(14,958)	-
Fund Balance - Beginning			1,746,322	
Net Adjustment for Revenue Accruals			140,212	
Net Adjustment for Expenditure Accruals			(174,360)	
Fund Balance - Ending			<u>\$ 1,697,216</u>	

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

Notes to the Required Supplementary Information

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non -GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>Road Maintenance</u>
Net change in Budget Balance, Budget (Cash Basis)	\$ 175,887	(14,958)
Increase (Decrease)		
Net adjustments for revenue accruals	522,858	140,212
Net adjustments for expenditure accruals	<u>(372,835)</u>	<u>(172,738)</u>
Net change in Budget Balance, Budget (GAAP Basis)	<u>\$ 325,910</u>	<u>(47,484)</u>

LAMAR COUNTY

SUPPLEMENTAL INFORMATION

Lamar County
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2006

Operating Expenditures, Cash Basis:

Waste Disposal contract	\$ 404,741
Salaries	653,054
Expendable Commodities:	
Gasoline and petroleum products	102,446
Repair parts	38,989
Clothing	7,383
Maintenance	12,094
supplies	<u>17,187</u>
Solid waste cash basis operating expenditures	1,235,893
Full cost expenses:	
Indirect administrative costs	3,317
Depreciation on equipment	66,392
Net effect of other accrued expenses	<u>95,034</u>
Solid waste full cost operating expenses	<u>164,743</u>
Total Expenditures	<u><u>\$ 1,400,636</u></u>

LAMAR COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA #	Agency pass through #	Federal expenditures
<u>FEDERAL AWARDS</u>			
U.S. Department of Transportation, Federal Highway Administration, Passed through Mississippi Department of Transportation			
Highway Planning & Construction	20.205	BR NBIS 065 B (37)(F)	\$ 2,970
Highway Planning & Construction	20.205	BR NBIS 066 B (37)(F)	8,690
Highway Planning & Construction	20.205	ER 0037 23 B	1,911,903
Highway Planning & Construction	20.205	ER 0037 23 B	85,623
Total U.S. Department of Transportation			<u>2,009,186</u>
Federal Emergency Management Agency			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1604	548,562
Hazard Mitigation Grant	97.039	HMGP 1459-0007	653,250
Homeland Security Grant Program	97.067		10,569
Total FEMA			<u>1,212,381</u>
Total Major Grant Programs			<u>3,221,567</u>
Homeland Security Grant, passed through MS Department of Fin. & Admin			
State Domestic Preparedness Equip. Support Grant	97.004	#04LE037	40,605
State Domestic Preparedness Equip. Support Grant	97.004	#04HS037	63,357
Total Homeland Security Grant			<u>103,962</u>
Department of Justice			
Local Law Enforcement Block Grant Program	16.592	05HR1371	57,172
Edward Byrne Memorial Justice Assistance Grant Program	16.738	06HR1371	134,947
Help America Vote Act	90.401		260,600
Total Department of Justice			<u>452,719</u>
Total Other Grant Programs			<u>556,681</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,778,248</u>

See accompanying notes to schedule of expenditures of federal awards.

LAMAR COUNTY
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lamar County, MS and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

LAMAR COUNTY

SPECIAL REPORTS

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

Members of the Board of Supervisors
Lamar County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lamar County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated July 2, 2007. The auditors' report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. 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 Lamar County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lamar County, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lamar County, Mississippi's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Lamar County, Mississippi's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Lamar County, Mississippi's financial statements that is more than inconsequential will not be prevented or detected by Lamar County, Mississippi's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in the internal control over financial reporting. [06-1]

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiency described above, we consider item 06-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lamar County, Mississippi's primary government 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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Wright CPA Group, PLLC

July 2, 2007
Wright CPA Group, PLLC

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

Members of the Board of Supervisors
Lamar County, Mississippi

Compliance

We have audited the compliance of Lamar County, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. Lamar County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lamar County, Mississippi's management. Our responsibility is to express an opinion on Lamar County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lamar County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lamar County, Mississippi's compliance with those requirements.

In our opinion, Lamar County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

The management of Lamar County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lamar County, Mississippi's internal control over compliance with requirements that could

have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weakness. A material weakness is a reportable 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Wright CPA Group, PLLC

WRIGHT CPA GROUP, PLLC.
July 2, 2007

WRIGHT CPA GROUP, PLLC



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INDEPENDENT AUDITORS' REPORT ON CENTRAL PURCHASING SYSTEM, INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES (REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))

Members of the Board of Supervisors
Lamar County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Lamar County, Mississippi, as of and for the year ended September 30, 2006. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Lamar County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Lamar County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Fixed Asset Data Processing

1. Finding

Additions to the fixed asset ledger were not complete due to a deficiency in the data processing system relating to inventory controls.

Recommendation: The County should implement controls over data processing and communication to ensure that full and adequate information is transmitted to the appropriate individuals for fixed asset additions and deletions.

Response:

Controls will be implemented over data processing and communication to ensure adequate and timely posting of fixed asset additions and deletions.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Lamar County, Mississippi complied in all material respects with state laws governing central purchasing, inventory and bid requirements.

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

This report is intended for use in evaluating the central purchasing system and inventory control system of Lamar County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Wright CPA Group, PLLC

July 2, 2007

Wright CPA Group, PLLC

LAMAR COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2006

Schedule 1

Our test results did not identify any purchases from other than the lowest bidder.

LAMAR COUNTY
 Schedule of Emergency Purchases
 For the Year Ended September 30, 2006

Schedule 2

Date	Item Purchased	Amount Paid	Vendor	Reason for Emergency Purchase
10/26/2005	2000 Chevy Altec Bucket Truck	45,724.60	Southwest Equipment	Emergency Equipment
8/7/2006	Property Demolition: 107 Ruby Lane	4,200.00	T S Companies	Hazard Mitigation
8/7/2006	Property Demolition: 105 Ruby Lane	4,200.00	T S Companies	Hazard Mitigation
8/7/2006	Property Demolition: 106 Ruby Lane	8,600.00	T S Companies	Hazard Mitigation
8/7/2006	Property Demolition: 123 Clarence Ray	8,600.00	T S Companies	Hazard Mitigation
8/7/2006	Property Demolition: 203 Clarence Ray	8,600.00	T S Companies	Hazard Mitigation
8/7/2006	Property Demolition: 121 Clarence Ray	8,600.00	T S Companies	Hazard Mitigation
8/7/2006	Property Demolition: 120 Perry Lee Dr.	4,200.00	T S Companies	Hazard Mitigation
9/5/2006	Property Demolition: 116 & 118 Perry Lee Dr.	8,400.00	T S Companies	Hazard Mitigation
9/5/2006	Property Demolition: 417 Sam Rayborn Dr.	8,600.00	T S Companies	Hazard Mitigation
9/5/2006	Property Demolition: 114 Perry Lee Dr.	8,600.00	T S Companies	Hazard Mitigation
9/5/2006	Property Demolition: 121 Perry Lee Dr.	8,600.00	T S Companies	Hazard Mitigation
9/5/2006	Property Demolition: 123 Perry Lee Dr.	8,600.00	T S Companies	Hazard Mitigation

LAMAR COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2006

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
5/1/2006	Map Books	5,120.00	Tab Map Co., Inc.
4/3/2006	UPS Battery	5,331.00	Blackmon Agency Inc.
2/6/2006	26013 M-26 TASER W/	800.00	Taser International
2/6/2006	26013 M-26 TASER W/	800.00	Taser International
2/6/2006	26013 M-26 TASER W/	800.00	Taser International
2/6/2006	26013 M-26 TASER W/	800.00	Taser International
2/6/2006	26013 M-26 TASER W/	800.00	Taser International
2/6/2006	26013 M-26 TASER W/	800.00	Taser International
2/6/2006	40-44200 CARTRIDGE-	758.80	Taser International
2/6/2006	12-26701 BATTERY PA	419.40	Taser International

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Lamar County, Mississippi

In planning and performing our audit of the financial statements of Lamar County, Mississippi for the year ended September 30, 2006, we considered Lamar County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Lamar County, 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 county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated July 2, 2007, on the financial statements of Lamar County, 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 tests 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 and is not intended to be and should not be used by anyone other than this party. However, this report is a matter of public record and its distribution is not limited.

Wright CPA Group, PLLC

July 2, 2007
Wright CPA Group, PLLC

LAMAR COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the primary government financial statements: | Unqualified |
| 2. | Material noncompliance relating to the primary government financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness identified? | Yes |
| b. | Reportable condition identified that is not considered to be material weaknesses? | No |

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| b. | Reportable condition identified that is not considered to be material weaknesses? | No |
| 6. | Any audit finding reported as required by Section __.510 (a) of Circular A-133? | No |
| 7. | Federal program identified as major program: | |
| | a. Highway Planning & Construction, CFDA # 20.205 | |
| | b. Public Assistance Grants, CFDA # 97.036 | |
| | c. Hazard Mitigation, CFDA # 97.039 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315 (b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

Fixed Asset Data Processing

06-1. Finding

Additions to the fixed asset ledger were not complete due to a deficiency in the data processing system relating to inventory controls.

Recommendation: The County should implement controls over data processing and communication to ensure that full and adequate information is transmitted to the appropriate individuals for fixed asset additions and deletions.

Response:

Controls will be implemented over data processing and communication to ensure adequate and timely posting of fixed asset additions and deletions.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.