



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

PHIL BRYANT
State Auditor

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GEORGE COUNTY, MISSISSIPPI

**Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2004**

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GEORGE COUNTY

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GEORGE COUNTY

FINANCIAL SECTION

GEORGE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
George County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund and the aggregate remaining fund information of George County, Mississippi, as of and for the year ended September 30, 2004, 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.

As discussed in Note 1(I) to the financial statements, management has not maintained adequate subsidiary records documenting the existence, completeness and valuation of the governmental activities capital assets reported on the Statement of Net Assets at \$112,918,088, as of September 30, 2004. Also, management has not maintained depreciation schedules or reported depreciation expense on these governmental activities' capital assets. Accounting principles generally accepted in the United States of America require that those governmental activities' capital assets be depreciated which would decrease the assets and increase the expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

The financial statements referred to above include only the primary government of George 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 unit, 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 George County, Mississippi, as of September 30, 2004, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, because of the effects of the matter discussed in the third paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of George County, Mississippi, as of September 30, 2004, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the major fund and the aggregate remaining fund information for the primary government of George County, Mississippi, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, 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 May 25, 2005, on our consideration of George County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

George 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 Governmental Accounting Standards Board.

The Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries 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.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 25, 2005

GEORGE COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

GEORGE COUNTY
Statement of Net Assets
September 30, 2004

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 3,621,240	1,729,991	5,351,231
Accrued interest receivable	88		88
Property tax receivable	3,485,600		3,485,600
Accounts receivable (net of allowance for uncollectibles of \$628,522)	157,130		157,130
Fines receivable (net of allowance for uncollectibles of \$1,132,257)	275,161		275,161
Loans receivable	243,441		243,441
Allowance for uncollectible accounts	(50,000)		(50,000)
Intergovernmental receivables	115,027	203,117	318,144
Other receivables	4,008		4,008
Internal balances	46,792	(46,792)	
Capital assets	112,918,088		112,918,088
Capital assets, net		4,811,942	4,811,942
Total Assets	120,816,575	6,698,258	127,514,833
LIABILITIES			
Claims payable	302,787	68,214	371,001
Intergovernmental payables	183,401		183,401
Deferred revenue	3,485,600		3,485,600
Other payables	13,785		13,785
Long-term liabilities			
Due within one year:			
Capital debt	243,654	200,000	443,654
Due in more than one year:			
Capital debt	1,144,739	5,410,000	6,554,739
Non-capital debt	25,235	35,962	61,197
Total Liabilities	5,399,201	5,714,176	11,113,377
NET ASSETS			
Invested in capital assets, net of related debt	111,529,695	(798,058)	110,731,637
Restricted:			
Expendable:			
General government	77,657		77,657
Public safety	150,663	1,782,140	1,932,803
Public works	1,337,406		1,337,406
Culture and recreation	16		16
Capital projects	249,852		249,852
Unrestricted	2,072,085		2,072,085
Total Net Assets	\$ 115,417,374	984,082	116,401,456

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

GEORGE COUNTY
Statement of Activities
For the Year Ended September 30, 2004

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,408,934	490,399	12,130	9,500	(1,896,905)		(1,896,905)
Public safety	1,697,904	257,303	198,491		(1,242,110)		(1,242,110)
Public works	3,981,917	438,009	667,789	309,389	(2,566,730)		(2,566,730)
Health and welfare	172,765		36,660		(136,105)		(136,105)
Culture and recreation	14,697				(14,697)		(14,697)
Conservation of natural resources	40,717				(40,717)		(40,717)
Economic development and assistance	89,998				(89,998)		(89,998)
Interest on long-term debt	56,674				(56,674)		(56,674)
Total Governmental Activities	<u>8,463,606</u>	<u>1,185,711</u>	<u>915,070</u>	<u>318,889</u>	<u>(6,043,936)</u>	<u>0</u>	<u>(6,043,936)</u>
Business-type activities:							
Regional jail	<u>2,204,578</u>	<u>2,434,946</u>	<u>28,664</u>			<u>259,032</u>	<u>259,032</u>
Total Primary Government	<u>\$ 10,668,184</u>	<u>3,620,657</u>	<u>943,734</u>	<u>318,889</u>	<u>(6,043,936)</u>	<u>259,032</u>	<u>(5,784,904)</u>
General revenues:							
Property taxes					\$ 5,220,890		5,220,890
Road & bridge privilege taxes					193,146		193,146
Grants and contributions not restricted to specific programs					274,337		274,337
Unrestricted interest income					88,358	11,269	99,627
Miscellaneous					<u>271,989</u>		<u>271,989</u>
Total General Revenues					<u>6,048,720</u>	<u>11,269</u>	<u>6,059,989</u>
Changes in Net Assets					<u>4,784</u>	<u>270,301</u>	<u>275,085</u>
Net Assets - Beginning					107,304,808	795,908	108,100,716
Prior period adjustment					<u>8,107,782</u>	<u>(82,127)</u>	<u>8,025,655</u>
Net Assets - Beginning, as restated					<u>115,412,590</u>	<u>713,781</u>	<u>116,126,371</u>
Net Assets - Ending					<u>\$ 115,417,374</u>	<u>984,082</u>	<u>116,401,456</u>

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

GEORGE COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2004

Exhibit 3

	<u>Major Fund</u>		
	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 1,655,030	1,966,210	3,621,240
Accrued interest receivable	88		88
Property tax receivable	1,882,250	1,603,350	3,485,600
Accounts receivable (net of allowance for uncollectibles of \$628,522)		157,130	157,130
Fines receivable (net of allowance for uncollectibles of \$1,132,257)	275,161		275,161
Loans receivable	50,000	193,441	243,441
Allowance for uncollectible accounts	(50,000)		(50,000)
Intergovernmental receivables	92,693	22,334	115,027
Other receivables	4,008		4,008
Due from other funds	19,344	74,688	94,032
Advances to other funds	27,448		27,448
Total Assets	<u>\$ 3,956,022</u>	<u>4,017,153</u>	<u>7,973,175</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 55,149	247,638	302,787
Intergovernmental payables	183,401		183,401
Due to other funds	74,688		74,688
Deferred revenue	2,157,411	1,760,480	3,917,891
Other payables	13,785		13,785
Total Liabilities	<u>2,484,434</u>	<u>2,008,118</u>	<u>4,492,552</u>
Fund balances:			
Reserved for:			
Loans receivable		193,441	193,441
Advances	27,448		27,448
Unreserved, reported in:			
General Fund	1,444,140		1,444,140
Special Revenue Funds		1,565,742	1,565,742
Capital Project Funds		249,852	249,852
Total Fund Balances	<u>1,471,588</u>	<u>2,009,035</u>	<u>3,480,623</u>
Total Liabilities and Fund Balances	<u>\$ 3,956,022</u>	<u>4,017,153</u>	<u>7,973,175</u>

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

GEORGE COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2004

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,480,623
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.	112,918,088
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	432,291
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(1,413,628)</u>
Total Net Assets - Governmental Activities	<u>\$ 115,417,374</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 For the Year Ended September 30, 2004

	<u>Major Fund</u>	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
REVENUES			
Property taxes	\$ 2,875,819	2,345,071	5,220,890
Road and bridge privilege taxes		193,146	193,146
Licenses, commissions and other revenue	235,654	34,662	270,316
Fines and forfeitures	305,496		305,496
Intergovernmental revenues	385,590	1,122,706	1,508,296
Charges for services	45,299	605,928	651,227
Interest income	60,324	28,034	88,358
Miscellaneous revenues	140,264	131,725	271,989
Total Revenues	<u>4,048,446</u>	<u>4,461,272</u>	<u>8,509,718</u>
EXPENDITURES			
Current:			
General government	1,897,403	515,411	2,412,814
Public safety	1,123,568	574,336	1,697,904
Public works		3,983,136	3,983,136
Health and welfare	172,765		172,765
Culture and recreation	7,445	7,252	14,697
Conservation of natural resources	40,717		40,717
Economic development and assistance	89,998		89,998
Debt service:			
Principal	59,589	367,670	427,259
Interest	19,538	37,136	56,674
Total Expenditures	<u>3,411,023</u>	<u>5,484,941</u>	<u>8,895,964</u>
Excess of Revenues over (under) Expenditures	<u>637,423</u>	<u>(1,023,669)</u>	<u>(386,246)</u>
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued	88,187	406,437	494,624
Transfers in	74,548	450,501	525,049
Transfers out	(435,410)	(89,639)	(525,049)
Total Other Financing Sources and Uses	<u>(272,675)</u>	<u>767,299</u>	<u>494,624</u>
Net Changes in Fund Balances	364,748	(256,370)	108,378
Fund Balances - Beginning	<u>1,106,840</u>	<u>2,265,405</u>	<u>3,372,245</u>
Fund Balances - Ending	<u>\$ 1,471,588</u>	<u>2,009,035</u>	<u>3,480,623</u>

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

GEORGE COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2004

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 108,378
Amounts reported for governmental activities in the Statement of Activities are different because:	
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(52,337)
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	11,009
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 long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$494,624 exceeded debt repayments of \$427,259.	(67,365)
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 presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by the amount of reductions in compensated absences.	<u>5,099</u>
Change in Net Assets of Governmental Activities	<u>\$ 4,784</u>

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

GEORGE COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2004

Exhibit 5

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Regional Jail Fund</u>
ASSETS	
Current assets:	
Cash	\$ 1,729,991
Intergovernmental receivables	203,117
Total Current Assets	<u>1,933,108</u>
Noncurrent assets:	
Capital assets, net	4,811,942
Total Noncurrent Assets	<u>4,811,942</u>
Total Assets	<u>6,745,050</u>
LIABILITIES	
Current liabilities:	
Claims payable	68,214
Due to other funds	19,344
Advances from other funds	27,448
Capital debt:	
Limited obligation bonds	200,000
Total Current Liabilities	<u>315,006</u>
Noncurrent liabilities:	
Capital debt:	
Limited obligation bonds	5,410,000
Non-capital debt:	
Compensated absences payable	35,962
Total Noncurrent Liabilities	<u>5,445,962</u>
NET ASSETS	
Invested in capital assets, net of related debt	(798,058)
Restricted	
Public safety	1,782,140
Total Net Assets	<u>\$ 984,082</u>

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

GEORGE COUNTY
Statement of Revenues, Expenses and Changes in Fund Net Assets -
Proprietary Fund
For the Year Ended September 30, 2004

Exhibit 6

	Business-type Activities - <u>Enterprise Fund</u>
	<u>Regional Jail Fund</u>
Operating Revenues	
Charges for services	\$ 2,434,946
Miscellaneous	28,664
Total Operating Revenues	<u>2,463,610</u>
Operating Expenses	
Personal services	1,151,662
Contractual services	287,727
Materials and supplies	297,741
Depreciation expense	108,535
Indirect administrative cost	19,344
Total Operating Expenses	<u>1,865,009</u>
Operating Income (Loss)	<u>598,601</u>
Nonoperating Revenues (Expenses)	
Interest income	11,269
Interest expense	(339,569)
Net Nonoperating Revenue (Expenses)	<u>(328,300)</u>
Changes in Net Assets	<u>270,301</u>
Net Assets - Beginning	795,908
Prior period adjustment	(82,127)
Net Assets - Beginning, as restated	<u>713,781</u>
Net Assets - Ending	<u>\$ 984,082</u>

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

GEORGE COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2004

Exhibit 7

	Business-type Activities - Enterprise Fund
	<u>Regional Jail Fund</u>
Cash Flows From Operating Activities	
Receipts from users	\$ 2,426,800
Payments to suppliers	(539,244)
Payments to employees	(1,119,460)
Other operating cash receipts	28,664
Net Cash Provided (Used) by Operating Activities	<u>796,760</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(14,896)
Principal paid on long-term debt	(190,000)
Interest paid on debt	(339,569)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(544,465)</u>
Cash Flows From Investing Activities	
Proceeds from sale and maturities of investments	531,647
Interest and dividends on investments	14,532
Net Cash Provided (Used) by Investing Activities	<u>546,179</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>798,474</u>
Cash and Cash Equivalents at Beginning of Year	<u>931,517</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,729,991</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>598,601</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	108,535
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivables	(8,146)
Increase (decrease) in claims payable	46,224
Increase (decrease) in compensated absences liability	32,202
Increase (decrease) in interfund payables	19,344
Total Adjustments	<u>198,159</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 796,760</u>

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

GEORGE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2004

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 324,582
Intergovernmental receivables	22,899
Total Assets	<u>\$ 347,481</u>
LIABILITIES	
Amounts held in custody for others	\$ 87,697
Intergovernmental payables	259,784
Total Liabilities	<u>\$ 347,481</u>

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

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

George 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 George 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 unit which has a significant operational or financial relationship with the county. Accordingly, the financial statements do not include the data of this component unit necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- George County Hospital

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 Unit

George County Public Improvement Corporation was incorporated as a nonprofit under Section 31-8-3, Miss. Code Ann. (1972), which allows counties to enter into lease agreements with any corporation. The corporation's three-member board of directors is appointed by the Board of Supervisors. Although legally separate from the primary government, the corporation is so intertwined with the primary government that it is in substance, the same as the primary government. Therefore, the corporation's balances and transactions are blended with the balances and transactions of the primary government. 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 pursuant to a lease agreement.

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.

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities which are generally financed through taxes, intergovernmental revenues and other nonexchange revenues are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Assets presents the financial condition of the governmental activities and business-type 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 and business-type 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. 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, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise 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, Proprietary Funds 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.

The county'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.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

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 60 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 Fund:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

The county reports the following major Proprietary Fund:

Regional Jail Fund - This fund is used to account for the county's activity of maintaining a correctional facility.

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 (other than for major capital projects) 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.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPE

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 2001 by the Government Finance Officers Association and the *Mississippi County Financial Accounting Manual* as revised in 2002 by the Office of the State Auditor.

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

F. Deposits and Investments.

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.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (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." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

I. 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 or business-type activities column in the government-wide financial statements. However, the capital assets amount reported in the governmental activities on the accompanying Statement of Net Assets, is not fairly presented because the county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets, adequate records documenting the county's infrastructure, or records documenting depreciation on applicable assets. 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.

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. The county elected to report major general infrastructure assets; however, adequate records were not maintained documenting the existence, completeness, and valuation of the infrastructure. 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.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

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 business-type activities. Depreciation is not calculated on governmental activities capital assets in the government-wide statements. Depreciation on business-type activities capital assets is calculated on the straight-line basis. 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.

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Buildings	\$ 50,000	40 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years

J. 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 and in the Proprietary Funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets.

K. 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 - Since depreciation of capital assets is not recorded in governmental activities, invested in capital assets, net of related debt in governmental activities consists of capital assets including restricted capital assets reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvements of those assets. Invested in capital assets, net of related debt in business-type activities 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.

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

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.

L. 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.

M. 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.

N. 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 and Proprietary Funds 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.

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

(2) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Governmental Activities:

Exhibit 2 - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Capital assets	\$ <u>8,107,782</u>
Total prior period adjustment	\$ <u><u>8,107,782</u></u>

Adjustment to capital assets to agree with the county's capital asset records.

Business Type Activities:

Exhibit 2 - Statement of Activities and Exhibit 6 - Statement of Revenues, Expenses and Changes in Fund Net Assets

<u>Explanation</u>	<u>Amount</u>
Capital assets	\$ <u>(82,127)</u>
Total prior period adjustment	\$ <u><u>(82,127)</u></u>

Adjustment to capital assets to delete asset values below the capitalization thresholds.

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$5,675,813, and the bank balance was \$5,972,698. 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.

Investments:

During the year, the county had investments in Federal Home Loan Bank securities. These investments were not backed by the full faith and credit of the federal government and were unallowable investment types under state law. These investments matured on March 19, 2004.

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2004:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Regional jail	\$ 19,344
Other Governmental Funds	General	<u>74,688</u>
Total		<u>\$ 94,032</u>

The General Fund receivable is the amount of indirect costs due to the regional jail operations. All other receivables represent the tax revenues collected but not settled until October, 2004. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Regional jail	<u>\$ 27,448</u>

The General Fund receivable represents the indirect costs due to the regional jail operations.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 74,548
Other Governmental Funds	General Fund	435,410
Other Governmental Funds	Other Governmental Funds	<u>15,091</u>
Total		<u>\$ 525,049</u>

The principal purpose of interfund transfers between General Fund and Other Governmental Funds was to provide funds for grant matches. These interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2004, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 92,693
Public safety grant	<u>22,334</u>
Total Governmental Activities	<u>\$ 115,027</u>

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

Description	Amount
Business-type Activities:	
Reimbursement for housing prisoners	\$ <u>203,117</u>

(6) Loans Receivable.

Loans receivable balances at September 30, 2004, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Balance Payable
George County Hospital	10-26-92	0%	Unknown	\$ 50,000
Allowance for doubtful accounts				(50,000)
Freight rail service loan	10-06-03	1%	03-01-20	<u>193,441</u>
Total				\$ <u>193,441</u>

The George County Hospital loan receivable was determined to be uncollectible in fiscal year 1996.

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2004:

Governmental activities:

	Balance Oct. 1, 2003	Additions	Deletions	Adjustments *	Balance Sept. 30, 2004
<u>Non-depreciable capital assets:</u>					
Land	\$ 231,694			315,817	547,511
Construction in progress	59,702			(57,755)	1,947
Total non-depreciable capital assets	<u>291,396</u>	<u>0</u>	<u>0</u>	<u>258,062</u>	<u>549,458</u>
<u>Depreciable capital assets:</u>					
Infrastructure	93,510,261			2,198,764	95,709,025
Buildings	6,482,318			1,717,536	8,199,854
Improvements other than buildings				254,370	254,370
Mobile equipment	2,641,213			3,541,671	6,182,884
Furniture and equipment	490,632			628,298	1,118,930
Leased property under capital leases	1,394,486			(490,919)	903,567
Total depreciable capital assets	<u>104,518,910</u>	<u>0</u>	<u>0</u>	<u>7,849,720</u>	<u>112,368,630</u>
Governmental activities capital assets	\$ <u>104,810,306</u>	<u>0</u>	<u>0</u>	<u>8,107,782</u>	<u>112,918,088</u>

* Beginning asset balances were adjusted to agree with county records.

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

Business-type activities:

	Balance Oct. 1, 2003	Additions	Deletions	Adjustments *	Balance Sept. 30, 2004
<u>Non-depreciable capital assets:</u>					
Land	\$ 26,220	0	0	0	26,220
<u>Depreciable capital assets:</u>					
Buildings	4,991,109				4,991,109
Mobile equipment	22,248	14,896		(500)	36,644
Furniture and equipment	129,941			(113,473)	16,468
Total depreciable capital assets	<u>5,143,298</u>	<u>14,896</u>	<u>0</u>	<u>(113,973)</u>	<u>5,044,221</u>
<u>Less accumulated depreciation for:</u>					
Buildings	141,747	99,822			241,569
Mobile equipment	5,649	6,596		(90)	12,155
Furniture and equipment	34,414	2,117		(31,756)	4,775
Total accumulated depreciation	<u>181,810</u>	<u>108,535</u>	<u>0</u>	<u>(31,846)</u>	<u>258,499</u>
Total depreciable capital assets, net	<u>4,961,488</u>	<u>(93,639)</u>	<u>0</u>	<u>(82,127)</u>	<u>4,785,722</u>
Business-type activities capital assets, net	<u>\$ 4,987,708</u>	<u>(93,639)</u>	<u>0</u>	<u>(82,127)</u>	<u>4,811,942</u>

* Adjustments to beginning balances to eliminate mobile equipment and furniture and equipment values below the capitalization threshold.

Depreciation expense was charged to the following function:

	Amount
Business-type activities:	
Regional jail	\$ <u>108,535</u>

(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 \$500,000 for law enforcement, fire fighters and road construction personnel and \$400,000 for all other employees 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, 2004, to January 1, 2005. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2004:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 874,635
Furniture and equipment	28,932
Total	<u>\$ 903,567</u>

The following is a schedule by years of the total payments due as of September 30, 2004:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 177,480	25,883
2006	192,951	17,357
2007	218,164	12,490
2008	158,594	1,452
2009	2,887	59
Total	<u>\$ 750,076</u>	<u>57,241</u>

(10) Long-term Debt.

Debt outstanding as of September 30, 2004, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. Capital Leases:			
District 4 Caterpillar 938 loader	\$ 71,415	6.10%	10-05
District 1 Caterpillar 430D backhoe loader	36,253	4.54%	01-05
District 4 Caterpillar motor grader	132,374	3.89%	09-07
District 1 Caterpillar 12H motor grader	123,648	3.89%	10-07
District 1 Caterpillar 938G wheel loader	92,436	3.89%	10-07
Three Sheriff's cars	59,255	3.04%	03-08
Telephone system	26,133	2.03%	02-09
District 4 tractors and mowers	78,562	2.74%	07-07
District 1 dump truck	65,000	2.74%	09-07
District 5 dump truck	65,000	2.74%	09-07
Total Capital Leases	<u>\$ 750,076</u>		

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
B. Other Loans:			
Human services building loan	\$ 285,740	4.25%	09-09
Multi-purpose building loan	159,136	3.00%	07-19
Freight rail service revolving MDA loan	<u>193,441</u>	1.00%	03-20
Total Other Loans	<u>\$ 638,317</u>		

Business-type Activities:

Limited Obligation Bonds:

Correctional facility urban renewal revenue bonds	\$ <u>5,610,000</u>	4.75 - 8.15	04-21
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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	Other Loans	
	Principal	Interest
2005	\$ 66,174	16,933
2006	73,716	15,177
2007	76,393	12,501
2008	79,166	9,727
2009	82,076	6,816
2010 - 2014	127,810	18,502
2015 - 2019	127,196	6,533
2020 - 2024	<u>5,786</u>	<u>15</u>
Total	<u>\$ 638,317</u>	<u>86,204</u>

Business-type Activities:

Year Ending September 30	Limited Obligation Bonds	
	Principal	Interest
2005	\$ 200,000	321,769
2006	210,000	307,269
2007	225,000	292,989
2008	235,000	278,364
2009	250,000	263,559
2010 - 2014	1,500,000	1,091,175
2015 - 2019	2,010,000	651,619
2020 - 2024	<u>980,000</u>	<u>92,546</u>
Total	<u>\$ 5,610,000</u>	<u>3,299,290</u>

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

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, 2004, the county had no outstanding general obligation bonded debt.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2004:

	Balance Oct. 1, 2003	Additions	Reductions	Adjustments	Balance Sept. 30, 2004	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 30,334		5,099		25,235	
Capital leases	719,362	301,183	270,469		750,076	177,480
Other loans	601,666	193,441	156,790		638,317	66,174
Total	\$ 1,351,362	494,624	432,358	0	1,413,628	243,654
Business-type Activities:						
Compensated absences	\$ 3,760	32,202			35,962	
Limited obligation bonds	5,800,000		190,000		5,610,000	200,000
Total	\$ 5,803,760	32,202	190,000	0	5,645,962	200,000

(11) Deficit Fund Balances of Individual Funds.

The following fund reported a deficit in fund balance at September 30, 2004:

Fund	Deficit Amount
Homeland Security Grant	\$ (35,790)

(12) 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. 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.

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

Hospital Revenue Bond Contingencies - The county issued revenue bonds to provide funds for constructing and improving capital facilities of the George County Hospital. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the county remains contingently liable for the retirement of these bonds because the full faith, credit and taxing power of the county is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue bonds outstanding at September 30, 2004, is \$5,815,000.

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Region 14 Singing River Mental Health/Mental Retardation Center operates in a district composed of the Counties of George and Jackson. The George County Board of Supervisors appoints one of the two members of the board of commissioners. The county appropriated \$53,000 for support of the center in fiscal year 2004.

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 George 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. The county appropriated \$46,150 for support of the district in fiscal year 2004.

Mississippi Gulf Coast Community College operates in a district composed of the Counties of George, Harrison, Jackson and Stone. The college's board of trustees is composed of 23 members, three each appointed by George and Stone Counties, eight each appointed by Harrison and Jackson Counties, and one appointed at large. The county appropriated \$340,650 for maintenance and support of the college in fiscal year 2004.

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, 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.

Gulf Coast Community Action Agency operates in the Counties of George, Greene, Hancock and Harrison. The agency's board is composed of 24 members, one each appointed by the Counties of George, Greene, Hancock and Harrison, and the Cities of Bay St. Louis, Biloxi, Gulfport and Pass Christian, with the remaining 16 appointed by the private sector. Most of the entity's funding comes through federal grants and the member governments provide only a modest amount of financial support when the grants require matching funds.

(14) Defined Benefit Pension Plan.

Plan Description. George 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.

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

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 9.75% 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, 2004, 2003 and 2002 were \$248,485, \$242,216 and \$187,580, respectively, equal to the required contributions for each year.

(15) Subsequent Events.

Subsequent to September 30, 2004, George County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10-01-04	3.25	\$ 34,700	Lease purchase	Tax revenue
11-18-04	2.88	32,499	Lease purchase	Tax revenue
01-05-05	3.11	58,611	Lease purchase	Tax revenue
01-12-05	3.25	121,790	Lease purchase	Tax revenue
02-02-05	3.25	121,790	Lease purchase	Tax revenue
02-16-05	1.00	773,929	MDA loan	Tax revenue
03-30-05	3.25	79,542	Lease purchase	Tax revenue

GEORGE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

GEORGE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,748,900	2,873,909	2,873,909	
Licenses, commissions and other revenue	201,000	234,556	234,556	
Fines and forfeitures	319,000	313,724	313,724	
Intergovernmental revenues	382,300	415,313	415,313	
Charges for services		6,980	6,980	
Interest income	120,000	59,172	59,172	
Miscellaneous revenues	34,000	167,255	167,255	
Total Revenues	<u>3,805,200</u>	<u>4,070,909</u>	<u>4,070,909</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,021,800	1,902,437	1,897,736	4,701
Public safety	1,100,300	1,127,685	1,127,685	
Health and welfare	239,900	242,621	242,621	
Culture and recreation	32,000	20,755	7,441	13,314
Conservation of natural resources	37,500	37,466	37,466	
Economic development and assistance	90,000	89,998	89,998	
Debt service:				
Principal			11,802	(11,802)
Interest			6,213	(6,213)
Total Expenditures	<u>3,521,500</u>	<u>3,420,962</u>	<u>3,420,962</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>283,700</u>	<u>649,947</u>	<u>649,947</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	2,500	87,216	87,216	
Compensation for loss of capital assets	5,500	14,275	14,275	
Transfers in	66,600	176,047	176,047	
Transfers out	(358,300)	(736,909)	(736,909)	
Total Other Financing Sources and Uses	<u>(283,700)</u>	<u>(459,371)</u>	<u>(459,371)</u>	<u>0</u>
Net Change in Fund Balance	0	190,576	190,576	0
Fund Balances - Beginning	<u>637,501</u>	<u>1,003,362</u>	<u>1,003,953</u>	<u>591</u>
Fund Balances - Ending	<u>\$ 637,501</u>	<u>1,193,938</u>	<u>1,194,529</u>	<u>591</u>

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

GEORGE COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2004

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. 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 :

	Governmental <u>Fund Type</u>
	<u>General Fund</u>
Budget (Cash Basis)	\$ 190,576
Increase (Decrease)	
Net adjustments for revenue accruals	(137,267)
Net adjustments for expenditure accruals	<u>311,439</u>
GAAP Basis	<u>\$ 364,748</u>

GEORGE COUNTY

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GEORGE COUNTY

SPECIAL REPORTS

GEORGE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S 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
George County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, the major fund and the aggregate remaining fund information of George County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated May 25, 2005. The auditor's 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 unit. Our report includes an adverse opinion on the governmental activities because the county did not maintain adequate subsidiary records documenting the existence, completeness, valuation and depreciation of the governmental activities capital assets. 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 George County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect George County, Mississippi's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 04-1.

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 misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether George 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain instance of noncompliance which we have reported to the management of George County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated May 25, 2005, included within this document.

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 specified party. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 25, 2005



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S 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
George County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of George County, Mississippi, as of and for the year ended September 30, 2004. 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 George 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 George 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.

The county did not maintain adequate subsidiary records documenting the existence, completeness, valuation and depreciation of the governmental activities capital assets.

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 a certain instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Inventory Control Clerk.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. As reported in prior years' audit reports, control procedures were inadequate for maintaining an accurate inventory or adequate subsidiary records documenting the existence, completeness and valuation of governmental activities capital assets. Records are not maintained documenting the depreciation of these capital assets. Therefore, the Independent Auditor's Report includes an adverse opinion on the financial position of the governmental activities.

Recommendation

The Inventory Control Clerk should establish adequate control procedures to document the existence, completeness and valuation of the capital assets. Also, records should be maintained documenting depreciation on capital assets.

Inventory Control Clerk's Response

We concur.

In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, George 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 George 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.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 25, 2005

GEORGE COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2004

Schedule 1

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

GEORGE COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2004

Schedule 2

Our test results did not identify any emergency purchases.

GEORGE COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2004

Schedule 3

Our test results did not identify any purchases made noncompetitively from a sole source.

GEORGE COUNTY

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GEORGE COUNTY

SCHEDULE OF FINDINGS

GEORGE COUNTY

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GEORGE COUNTY

Schedule of Findings
For the Year Ended September 30, 2004

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the primary government financial statements: | |
| | Governmental activities | Adverse |
| | Business-type activities | Unqualified |
| | General Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | Yes |
| | b. Reportable condition identified that is not considered to be a material weakness? | No |
| 3. | Noncompliance material to the primary government financial statements? | No |

Section 2: Financial Statement Findings

Inventory Control Clerk.

04-1. Finding

As reported in prior years' audit reports, control procedures were inadequate for maintaining an adequate inventory or adequate subsidiary records documenting the existence, completeness and valuation of governmental activities capital assets. Records were not maintained documenting the depreciation of these capital assets. Therefore, the Independent Auditor's Report includes an adverse opinion on the financial position of the governmental activities.

Recommendation

The Inventory Control Clerk should establish adequate control procedures to document the existence, completeness and valuation of the capital assets. Also, records should be maintained documenting depreciation on capital assets.

Inventory Control Clerk's Response

We concur.