

GEORGE COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2007

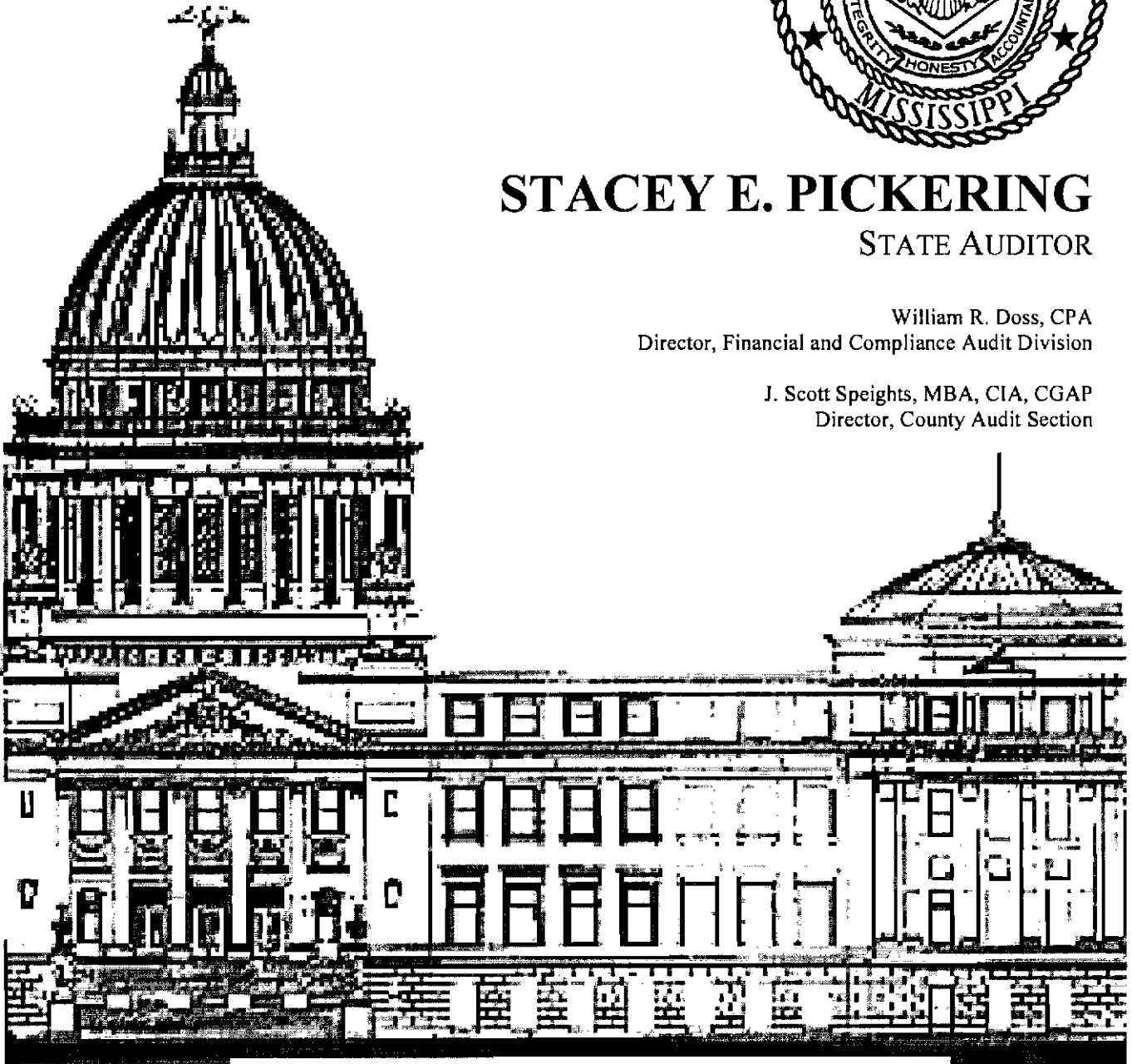


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

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Director, County Audit Section



A Report from the County Audit Section

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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
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
George County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of George County, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the basic financial statements of the county's primary government 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 do not include financial data for the county's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component unit is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, 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 aggregate discretely presented component unit of George County, Mississippi, as of September 30, 2007, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of George County, Mississippi, as of September 30, 2007, and the respective changes in financial position, and, where applicable, cash flows 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 April 22, 2009, on our consideration of George County, Mississippi's internal control over financial reporting and on 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.

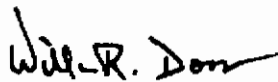
George County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedules 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise George 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 respects, in relation to the basic financial statements taken as a whole.



STACEY E. PICKERING
State Auditor



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

April 22, 2009

GEORGE COUNTY

FINANCIAL STATEMENTS

GEORGE COUNTY

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GEORGE COUNTY
Statement of Net Assets
September 30, 2007

Exhibit I

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 5,490,695	1,901,368	7,392,063
Accrued interest receivable	4,522		4,522
Property tax receivable	4,151,700		4,151,700
Accounts receivable (net of allowance for uncollectibles of \$144,287)	144,287		144,287
Fines receivable (net of allowance for uncollectibles of \$1,030,621)	915,954		915,954
Loans receivable (net of allowance for uncollectibles of \$50,000)	810,945		810,945
Intergovernmental receivables	590,793	282,925	873,718
Other receivables	4,389		4,389
Internal balances	14,821	(14,821)	
Land and construction in progress	719,802	87,674	807,476
Other capital assets, net	55,786,674	4,669,082	60,455,756
Total Assets	68,634,582	6,926,228	75,560,810
LIABILITIES			
Claims payable	343,139	28,206	371,345
Intergovernmental payables	245,676		245,676
Deferred revenue	4,151,700		4,151,700
Unearned revenue	133,306		133,306
Other payables	20,448		20,448
Long-term liabilities			
Due within one year:			
Capital debt	1,005,487	235,000	1,240,487
Non-capital debt	61,645		61,645
Due in more than one year:			
Capital debt	2,237,342	4,740,000	6,977,342
Non-capital debt	821,306	54,608	875,914
Total Liabilities	9,020,049	5,057,814	14,077,863
NET ASSETS			
Invested in capital assets, net of related debt	53,263,647	(218,244)	53,045,403
Restricted:			
Expendable:			
General government	121,512		121,512
Public safety	494,779	2,086,658	2,581,437
Public works	1,491,821		1,491,821
Conservation of natural resources	184,127		184,127
Economic development	810,945		810,945
Capital projects	549,926		549,926
Unrestricted	2,697,776		2,697,776
Total Net Assets	\$ 59,614,533	1,868,414	61,482,947

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

GEORGE COUNTY
Statement of Activities
For the Year Ended September 30, 2007

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		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,583,237	1,169,933	3,826		(1,409,478)		(1,409,478)
Public safety	2,825,455	314,979	116,290	1,331,765	(1,062,421)		(1,062,421)
Public works	8,225,642	712,094	900,613	53,286	(6,559,649)		(6,559,649)
Health and welfare	255,560		37,448	8,695	(209,417)		(209,417)
Culture and recreation	8,478		4,678		(3,800)		(3,800)
Conservation of natural resources	43,139				(43,139)		(43,139)
Economic development and assistance	403,024			313,650	(89,374)		(89,374)
Interest on long-term debt	112,002				(112,002)		(112,002)
Total Governmental Activities	<u>14,456,537</u>	<u>2,197,006</u>	<u>1,062,855</u>	<u>1,707,396</u>	<u>(9,489,280)</u>	<u>0</u>	<u>(9,489,280)</u>
Business-type activities:							
Correctional Facility	<u>2,760,397</u>	<u>2,964,269</u>	<u>5,678</u>			<u>209,550</u>	<u>209,550</u>
Total Business-type Activities	<u>2,760,397</u>	<u>2,964,269</u>	<u>5,678</u>	<u>0</u>	<u>0</u>	<u>209,550</u>	<u>209,550</u>
Total	<u>\$ 17,216,934</u>	<u>5,161,275</u>	<u>1,068,533</u>	<u>1,707,396</u>	<u>(9,489,280)</u>	<u>209,550</u>	<u>(9,279,730)</u>
General revenues:							
Property taxes					\$ 6,162,849		6,162,849
Road & bridge privilege taxes					229,838		229,838
Grants and contributions not restricted to specific programs					301,471		301,471
Unrestricted gifts and donations					177,000		177,000
Unrestricted interest income					226,595	50,713	277,308
Miscellaneous					833,955	22,242	856,197
Total General Revenues					<u>7,931,708</u>	<u>72,955</u>	<u>8,004,663</u>
Changes in Net Assets					(1,557,572)	282,505	(1,275,067)
Net Assets - Beginning					<u>61,172,105</u>	<u>1,585,909</u>	<u>62,758,014</u>
Net Assets - Ending					<u>\$ 59,614,533</u>	<u>1,868,414</u>	<u>61,482,947</u>

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

GEORGE COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2007

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	District 1 Road Fund	Other Governmental Funds	
ASSETS				
Cash	\$ 2,690,235	375,709	2,424,751	5,490,695
Accrued interest receivable	4,522			4,522
Property tax receivable	2,292,700	234,650	1,624,350	4,151,700
Accounts receivable (net of allowance for uncollectibles of \$144,287)			144,287	144,287
Fines receivable (net of allowance for uncollectibles of \$1,030,621)	915,954			915,954
Loans receivable (net of allowance for uncollectibles of \$50,000)			810,945	810,945
Intergovernmental receivables	250,982	59,013	280,798	590,793
Other receivables	4,389			4,389
Due from other funds	14,821	10,528	69,904	95,253
Total Assets	<u>\$ 6,173,603</u>	<u>679,900</u>	<u>5,355,035</u>	<u>12,208,538</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 97,907	21,537	223,695	343,139
Intergovernmental payables	219,594			219,594
Due to other funds	106,514			106,514
Deferred revenue	3,208,654	234,650	1,768,637	5,211,941
Unearned revenue			133,306	133,306
Other payables	20,448			20,448
Total Liabilities	<u>3,653,117</u>	<u>256,187</u>	<u>2,125,638</u>	<u>6,034,942</u>
Fund balances:				
Reserved for:				
Loans receivable			810,945	810,945
Unreserved - undesignated, reported in:				
General Fund	2,520,486			2,520,486
Special Revenue Funds		423,713	1,868,526	2,292,239
Capital Project Funds			549,926	549,926
Total Fund Balances	<u>2,520,486</u>	<u>423,713</u>	<u>3,229,397</u>	<u>6,173,596</u>
Total Liabilities and Fund Balances	<u>\$ 6,173,603</u>	<u>679,900</u>	<u>5,355,035</u>	<u>12,208,538</u>

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

GEORGE COUNTY
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 September 30, 2007

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,173,596
Amounts reported for governmental activities 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 \$58,180,131.	56,506,476
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,060,241
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(4,125,780)</u>
Total Net Assets - Governmental Activities	<u>\$ 59,614,533</u>

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

GEORGE COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2007

Exhibit 4

	Major Funds			Total Governmental Funds
	General Fund	District I Road Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 3,527,296	336,101	2,299,452	6,162,849
Road and bridge privilege taxes		33,501	196,337	229,838
Licenses, commissions and other revenue	418,546		25,914	444,460
Fines and forfeitures	403,779		13,989	417,768
Intergovernmental revenues	800,534	165,221	2,282,967	3,248,722
Charges for services	27,420		823,280	850,700
Interest income	89,658	16,873	120,064	226,595
Miscellaneous revenues	179,815	16,120	120,373	316,308
Total Revenues	<u>5,447,048</u>	<u>567,816</u>	<u>5,882,376</u>	<u>11,897,240</u>
EXPENDITURES				
Current:				
General government	2,612,002		1,166	2,613,168
Public safety	1,503,807		2,129,456	3,633,263
Public works		2,156,262	5,017,906	7,174,168
Health and welfare	254,869			254,869
Culture and recreation	8,368		110	8,478
Conservation of natural resources	43,139			43,139
Economic development and assistance	259,374		313,650	573,024
Debt service:				
Principal	70,217	471,667	1,279,111	1,820,995
Interest	11,857	21,388	78,757	112,002
Total Expenditures	<u>4,763,633</u>	<u>2,649,317</u>	<u>8,820,156</u>	<u>16,233,106</u>
Excess of Revenues over (under) Expenditures	<u>683,415</u>	<u>(2,081,501)</u>	<u>(2,937,780)</u>	<u>(4,335,866)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued		1,745,510	1,019,394	2,764,904
Proceeds from sale of capital assets		398,030	1,403,906	1,801,936
Transfers in	267,429		443,632	711,061
Transfers out	(418,632)	(5,000)	(287,429)	(711,061)
Total Other Financing Sources and Uses	<u>(151,203)</u>	<u>2,138,540</u>	<u>2,579,503</u>	<u>4,566,840</u>
Net Changes in Fund Balances	532,212	57,039	(358,277)	230,974
Fund Balances - Beginning	<u>1,988,274</u>	<u>366,674</u>	<u>3,587,674</u>	<u>5,942,622</u>
Fund Balances - Ending	<u>\$ 2,520,486</u>	<u>423,713</u>	<u>3,229,397</u>	<u>6,173,596</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, 2007

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 230,974
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation of \$4,735,251 exceeded capital outlays of \$4,716,023 in the current period.	(19,228)
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 change in fund balances by the amount of the net gain of \$517,647 and the proceeds from the sale of \$1,801,936 in the current period.	(1,284,289)
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.	373,984
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.	110,094
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 \$2,764,904 exceeded debt repayments of \$1,820,995.	(943,909)
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. Thus, the change in net assets differs from the change in fund balances by the amount of the increase in compensated absences.	<u>(25,198)</u>
Change in Net Assets of Governmental Activities	<u>\$ (1,557,572)</u>

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

GEORGE COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2007

Exhibit 5

	Business-type Activities - Enterprise Fund <u>Regional Jail Fund</u>
ASSETS	
Current assets:	
Cash	\$ 1,901,368
Intergovernmental receivables	<u>282,925</u>
Total Current Assets	<u>2,184,293</u>
Noncurrent assets:	
Capital assets:	
Land	87,674
Other capital assets, net	<u>4,669,082</u>
Total Noncurrent Assets	<u>4,756,756</u>
Total Assets	<u>6,941,049</u>
LIABILITIES	
Current liabilities:	
Claims payable	28,206
Due to other funds	14,821
Capital debt:	
Limited obligation bonds	<u>235,000</u>
Total Current Liabilities	<u>278,027</u>
Noncurrent liabilities:	
Capital debt:	
Limited obligation bonds	4,740,000
Non-capital debt:	
Compensated absences payable	<u>54,608</u>
Total Noncurrent Liabilities	<u>4,794,608</u>
NET ASSETS	
Invested in capital assets, net of related debt	(218,244)
Restricted for:	
Public safety	<u>2,086,658</u>
Total Net Assets	<u>\$ 1,868,414</u>

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

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
 For the Year Ended September 30, 2007

	Business-type Activities - Enterprise Fund
	<u>Regional Jail Fund</u>
Operating Revenues	
Charges for services	\$ 2,964,269
Miscellaneous	22,242
Total Operating Revenues	<u>2,986,511</u>
Operating Expenses	
Personal services	1,483,644
Contractual services	452,188
Materials and supplies	398,111
Depreciation expense	122,867
Indirect administrative cost	14,821
Total Operating Expenses	<u>2,471,631</u>
Operating Income (Loss)	<u>514,880</u>
Nonoperating Revenues (Expenses)	
Interest income	50,713
Nonoperating grants	5,678
Interest expense	(288,766)
Net Nonoperating Revenue (Expenses)	<u>(232,375)</u>
Changes in Net Assets	282,505
Net Assets - Beginning	<u>1,585,909</u>
Net Assets - Ending	<u>\$ 1,868,414</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, 2007

Exhibit 7

	Business-type Activities - Enterprise Fund
	Regional Jail Fund
Cash Flows From Operating Activities	
Receipts from users	\$ 2,900,977
Payments to suppliers	(912,066)
Payments to employees	(1,516,408)
Payments to General Fund for indirect costs	(22,287)
Other operating cash receipts	69,405
Net Cash Provided (Used) by Operating Activities	<u>519,621</u>
Cash Flows From Noncapital Financing Activities	
Operating grants received	5,678
Net Cash Provided (Used) by Noncapital Financing Activities	<u>5,678</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on long-term debt	(225,000)
Interest paid on debt	(288,766)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(513,766)</u>
Cash Flows From Investing Activities	
Interest on deposits	50,713
Net Cash Provided (Used) by Investing Activities	<u>50,713</u>
Net Increase (Decrease) in Cash and Cash Equivalents	62,246
Cash and Cash Equivalents at Beginning of Year	<u>1,839,122</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,901,368</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>514,880</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	122,867
Changes in assets and liabilities:	
(Increase) decrease in other receivables	(63,292)
Increase (decrease) in claims payable	(61,767)
Increase (decrease) in compensated absences liability	14,399
Increase (decrease) in interfund payables	(7,466)
Total Adjustments	<u>4,741</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 519,621</u>

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

GEORGE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2007

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 329,766
Due from other funds	<u>26,082</u>
Total Assets	<u>\$ 355,848</u>
LIABILITIES	
Amounts held in custody for others	\$ 205,925
Intergovernmental payables	<u>149,923</u>
Total Liabilities	<u>\$ 355,848</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, 2007

(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, 2007

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 are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and 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-type activity 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. 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 (excluding agency 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. Agency funds have no measurement focus, but use the accrual basis of accounting.

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, 2007

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 Funds:

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

District 1 Road Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

The county reports the following major Proprietary Fund:

Regional Jail Fund - This fund is used to account for monies from inmate housing agreement income with the Mississippi Department of Corrections for housing state prisoners.

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.

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

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 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." 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. 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 elect not to report major general infrastructure assets retroactively. George County meets this criteria and has so elected. George County elected to report general infrastructure assets acquired after September 30, 1980 on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

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 government-wide statements and Proprietary Funds. 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 and estimated useful lives:

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
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 and estimated useful life will correspond with the amounts for the asset classification, as listed above.

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 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 - 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, construction or improvement 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.

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

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 with unreserved classified as designated and undesignated.

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, 2007

(2) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2007, was \$7,721,829 and the bank balance was \$7,808,922. 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.

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2007:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Regional Jail	\$ 14,821
District I Road	General	10,528
Other Governmental Funds	General	69,904
Agency Funds	General	<u>26,082</u>
Total		<u>\$ 121,335</u>

The receivables represent the indirect costs due to the regional jail operations and the tax revenue collected but not settled until October, 2007. 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>
General Fund	Other Governmental Funds	\$ 267,429
Other Governmental Funds	General Fund	418,632
Other Governmental Funds	District I Road	5,000
Other Governmental Funds	Other Governmental Funds	<u>20,000</u>
Total		<u>\$ 711,061</u>

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to relieve temporary cash flow deficiencies. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2007, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 114,542
Timber severance tax	972
Homestead reimbursement	132,575
Welfare reimbursement	2,893
Motor vehicle privilege tax	59,013
State aid road reimbursement	11,816
Home investment partnership program	76,100
Disaster grants - public assistance	<u>192,882</u>
Total Governmental Activities	<u>\$ 590,793</u>
Business-type Activities:	
Reimbursement for housing prisoners	<u>\$ 282,925</u>

(5) Loans Receivable.

Loans receivable balances at September 30, 2007, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
George County Hospital	10-26-92	0%	Unknown	\$ 50,000
Freight rail service loan	10-06-03	1%	03-01-20	<u>810,945</u>
Total				860,945
Less: Allowance for doubtful accounts*				<u>(50,000)</u>
Total (Net of allowance for doubtful accounts)				<u>\$ 810,945</u>

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

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2007:

Governmental activities:

	Balance Oct. 1, 2006	Additions	Deletions	Adjustments *	Balance Sept. 30, 2007
<u>Non-depreciable capital assets:</u>					
Land	\$ 524,312	170,000	6,900		687,412
Construction in progress	40,835	52,981		(61,426)	32,390
Total non-depreciable capital assets	<u>565,147</u>	<u>222,981</u>	<u>6,900</u>	<u>(61,426)</u>	<u>719,802</u>
<u>Depreciable capital assets:</u>					
Infrastructure	97,613,242				97,613,242
Buildings	3,899,899	138,609	150,000	61,426	3,949,934
Improvements other than buildings	33,277				33,277
Mobile equipment	7,300,524	1,280,052	457,174	395,118	8,518,520
Furniture and equipment	263,115	205,845			468,960
Leased property under capital leases	2,354,318	2,868,536	1,444,864	(395,118)	3,382,872
Total depreciable capital assets	<u>111,464,375</u>	<u>4,493,042</u>	<u>2,052,038</u>	<u>61,426</u>	<u>113,966,805</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	51,401,179	3,238,224			54,639,403
Buildings	356,426	60,559	120,000		296,985
Improvements other than buildings	5,328	1,332			6,660
Mobile equipment	2,278,454	767,273	172,263	228,604	3,102,068
Furniture and equipment	56,882	46,136			103,018
Leased property under capital leases	121,260	621,727	482,386	(228,604)	31,997
Total accumulated depreciation	<u>54,219,529</u>	<u>4,735,251</u>	<u>774,649</u>	<u>0</u>	<u>58,180,131</u>
Total depreciable capital assets, net	<u>57,244,846</u>	<u>(242,209)</u>	<u>1,277,389</u>	<u>61,426</u>	<u>55,786,674</u>
Governmental activities capital assets, net	<u>\$ 57,809,993</u>	<u>(19,228)</u>	<u>1,284,289</u>	<u>0</u>	<u>56,506,476</u>

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

Business-type activities:

	Balance Oct. 1, 2006	Additions	Deletions	Adjustments *	Balance Sept. 30, 2007
<u>Non-depreciable capital assets:</u>					
Land	\$ 87,674				87,674
Total non-depreciable capital assets	<u>87,674</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>87,674</u>
<u>Depreciable capital assets:</u>					
Buildings	5,312,546				5,312,546
Mobile equipment	76,456				76,456
Furniture and equipment	80,378				80,378
Total depreciable capital assets	<u>5,469,380</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,469,380</u>
<u>Less accumulated depreciation for:</u>					
Buildings	617,948	106,253			724,201
Mobile equipment	34,797	6,271			41,068
Furniture and equipment	24,686	10,343			35,029
Total accumulated depreciation	<u>677,431</u>	<u>122,867</u>	<u>0</u>	<u>0</u>	<u>800,298</u>
Total depreciable capital assets, net	<u>4,791,949</u>	<u>(122,867)</u>	<u>0</u>	<u>0</u>	<u>4,669,082</u>
Business-type activities capital assets, net	<u>\$ 4,879,623</u>	<u>(122,867)</u>	<u>0</u>	<u>0</u>	<u>4,756,756</u>

* The adjustment to capital assets represents the accumulated depreciation and balance of assets that were reclassified due to being completed or paid off during the year.

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental Activities:</u>	
General government	\$ 71,569
Public safety	547,141
Public works	4,115,850
Health and welfare	691
Total governmental activities depreciation expense	<u>\$ 4,735,251</u>
<u>Business-type Activities:</u>	
Correctional Facility	<u>\$ 122,867</u>

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

Commitments with respect to unfinished capital projects at September 30, 2007, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Broome Volunteer Fire Department Addition	\$ 4,134	October, 2007
Solid Waste Garage	\$ 72,587	March, 2008

(7) 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 \$1,000,000 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, 2007, to January 1, 2008. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2007:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 3,240,662
Furniture and equipment	142,210
Total	3,382,872
Less: Accumulated depreciation	31,997
Leased Property Under Capital Leases	<u>\$ 3,350,875</u>

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

The following is a schedule by years of the total payments due as of September 30, 2007:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 938,648	116,981
2009	736,160	81,359
2010	871,165	47,970
2011	233,885	14,275
2012	111,631	5,960
2013 - 2017	91,467	330
Total	\$ <u>2,982,956</u>	<u>266,875</u>

The capital assets amount is greater than the capital leases amount because of a lump-sum payment being made on a capital asset when purchased, which reduced the capital lease amount owed.

(9) Long-term Debt.

Debt outstanding as of September 30, 2007, 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 motor grader	\$ 86,221	3.89%	09-08
Telephone system	9,429	2.03%	02-09
District 4 loader	90,872	3.25%	02-10
District 5 loader	91,878	3.25%	03-10
District 2 backhoe	46,353	3.25%	04-08
Computer system upgrade	110,003	4.35%	07-12
Four garbage trucks	482,234	4.28%	11-11
Garbage truck	74,756	4.28%	12-11
Thirteen Mack trucks	1,269,671	4.19%	03-10
Six John Deere tractors	210,894	4.19%	03-10
Chip spreader	96,286	4.21%	10-08
Two John Deere tractors	84,088	4.28%	07-12
District 2 tractor	42,044	4.28%	07-12
District 3 tractor	42,044	4.28%	07-12
District 1 backhoe	82,061	4.35%	09-12
District 3 backhoe	82,061	4.35%	09-12
District 4 backhoe	82,061	4.35%	09-12
Total Capital Leases	\$ <u>2,982,956</u>		

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
B. Other Loans:			
Human Services building loan	\$ 127,493	4.25%	09-09
Multi-purpose building loan	132,380	3.00%	07-19
Freight rail service revolving MDA loan	810,945	1.00%	03-20
Total Other Loans	<u>\$ 1,070,818</u>		

Business-type Activities:

Limited Obligation Bonds:

Correctional facility urban renewal revenue bonds	\$ <u>4,975,000</u>	4.75 - 6.80%	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
2008	\$ 128,484	15,989
2009	131,890	12,583
2010	83,188	9,896
2011	73,878	8,905
2012	74,831	7,951
2013 - 2017	389,024	24,886
2018 - 2022	189,523	2,767
Total	<u>\$ 1,070,818</u>	<u>82,977</u>

Business-type Activities:

Year Ending September 30	Limited Obligation Bonds	
	Principal	Interest
2008	\$ 235,000	270,961
2009	250,000	255,871
2010	265,000	240,168
2011	285,000	225,382
2012	300,000	211,301
2013 - 2017	1,785,000	800,747
2018 - 2022	1,855,000	233,651
Total	<u>\$ 4,975,000</u>	<u>2,238,081</u>

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

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, 2007, 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, 2007:

	Balance Oct. 1, 2006	Additions	Reductions	Adjustments	Balance Sept. 30, 2007	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 46,808	25,198			72,006	
Capital leases	1,913,827	2,764,904	1,695,775		2,982,956	938,648
Other loans	1,196,038		125,220		1,070,818	128,484
Total	\$ 3,156,673	2,790,102	1,820,995	0	4,125,780	1,067,132
Business-type Activities:						
Compensated absences	\$ 40,209	14,399			54,608	
Limited obligation bonds	5,200,000		225,000		4,975,000	235,000
Total	\$ 5,240,209	14,399	225,000	0	5,029,608	235,000

(10) 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.

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.

Hospital Revenue Bond Contingencies - The county issues 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, 2007, is \$3,715,000.

(11) 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 2007.

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

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 2007.

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 \$469,035 for maintenance and support of the college in fiscal year 2007.

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.

(12) 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.

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 rate at September 30, 2007 was 11.85% 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, 2007, 2006 and 2005 were \$399,469, \$324,046 and \$284,667, respectively, equal to the required contributions for each year.

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(13) Subsequent Events.

Subsequent to September 30, 2007, 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>
02/05/08	3.49%	\$ 209,338	Capital lease	District 4 road funds
04/16/08	2.91%	17,888	Capital lease	General county funds
04/16/08	2.91%	96,600	Capital lease	District 1 road funds
04/16/08	2.91%	136,700	Capital lease	District 3 road funds
04/16/08	2.91%	92,500	Capital lease	District 4 road funds
04/16/08	2.91%	88,400	Capital lease	District 5 road funds
04/25/08	2.94%	82,000	Capital lease	District 4 road funds
04/25/08	2.94%	82,000	Capital lease	District 4 road funds
04/25/08	2.94%	213,000	Capital lease	District 4 road funds
04/25/08	2.94%	213,000	Capital lease	District 4 road funds
05/20/08	2.92%	37,728	Capital lease	District 1 road funds
06/04/08	2.91%	134,650	Capital lease	District 2 road funds
06/04/08	2.91%	42,150	Capital lease	District 4 road funds
09/08/08	2.83%	159,011	Capital lease	Solid waste funds
12/31/08	4% - 5.5%	2,360,000	General obligation bond	Charges for services

GEORGE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

GEORGE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,303,800	3,535,321	3,535,321	
Licenses, commissions and other revenue	284,200	409,987	409,987	
Fines and forfeitures	313,300	394,345	394,345	
Intergovernmental revenues	394,900	545,805	545,805	
Charges for services	16,000	27,420	27,420	
Interest income	40,000	80,412	80,412	
Miscellaneous revenues	42,800	63,416	63,416	
Total Revenues	<u>4,395,000</u>	<u>5,056,706</u>	<u>5,056,706</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,697,600	2,676,212	2,676,212	
Public safety	1,289,000	1,500,756	1,500,756	
Health and welfare	243,350	241,717	241,717	
Culture and recreation	28,500	21,894	21,894	
Conservation of natural resources	46,550	42,161	42,161	
Economic development and assistance	90,000	89,998	89,998	
Total Expenditures	<u>4,395,000</u>	<u>4,572,738</u>	<u>4,572,738</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>483,968</u>	<u>483,968</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		34,013	34,013	
Transfers in		388,348	388,348	
Transfers out		(384,632)	(384,632)	
Total Other Financing Sources and Uses	<u>0</u>	<u>37,729</u>	<u>37,729</u>	<u>0</u>
Net Change in Fund Balance	0	521,697	521,697	0
Fund Balances - Beginning	<u>1,579,819</u>	<u>1,579,819</u>	<u>1,579,819</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,579,819</u>	<u>2,101,516</u>	<u>2,101,516</u>	<u>0</u>

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

GEORGE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 District 1 Road Fund
 For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 325,880	336,274	336,274	
Road and bridge privilege taxes	30,000	34,668	34,668	
Intergovernmental revenues	121,700	106,208	106,208	
Interest income	2,500	16,562	16,562	
Miscellaneous revenues		284	284	
Total Revenues	<u>480,080</u>	<u>493,996</u>	<u>493,996</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	857,000	903,050	903,050	
Total Expenditures	<u>857,000</u>	<u>903,050</u>	<u>903,050</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(376,920)</u>	<u>(409,054)</u>	<u>(409,054)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	284,950	398,030	398,030	
Compensation for loss of capital assets		15,836	15,836	
Transfers in		311	311	
Transfers out	(8,000)	(5,000)	(5,000)	
Total Other Financing Sources and Uses	<u>276,950</u>	<u>409,177</u>	<u>409,177</u>	<u>0</u>
Net Change in Fund Balance	(99,970)	123	123	0
Fund Balances - Beginning	<u>375,586</u>	<u>375,586</u>	<u>375,586</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 275,616</u>	<u>375,709</u>	<u>375,709</u>	<u>0</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, 2007

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>District 1 Road Fund</u>
Budget (Cash Basis)	\$ 521,697	123
Increase (Decrease)		
Net adjustments for revenue accruals	235,410	1,803,183
Net adjustments for expenditure accruals	<u>(224,895)</u>	<u>(1,746,267)</u>
GAAP Basis	<u>\$ 532,212</u>	<u>57,039</u>

GEORGE COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2007

D. Unbudgeted Fund.

The following fund was not budgeted for the year ended September 30, 2007:

Special Revenue Fund:

Home Investment Partnership Program Grant

The unbudgeted fund is in violation of state law. However, the county has no liability associated with the violation.

GEORGE COUNTY

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GEORGE COUNTY

SUPPLEMENTAL INFORMATION

GEORGE COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community Services Division/ Home investment partnerships program	14.239	M00-SG-28-01-1003	\$ <u>313,650</u>
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency State domestic preparedness equipment support program	97.004	3SSGEX-004	<u>181,654</u>
Assistance to firefighters grant (Note B)	97.044	EMW-2006-FG-10516	185,250
Assistance to firefighters grant (Note B)	97.044	EMW-2006-FG-03881	201,400
Assistance to firefighters grant (Note B)	97.044	EMW-2006-FG-12869	218,500
Assistance to firefighters grant (Note B)	97.044	EMW-2005-FG-00972	195,700
Assistance to firefighters grant (Note B)	97.044	EMW-2006-FG-08489	24,210
Subtotal			<u>825,060</u>
Passed-through the Mississippi Department of Public Safety Homeland security grant program	97.067	06LE020	14,254
Homeland security grant program	97.067	05HS020	<u>51,293</u>
Subtotal			<u>65,547</u>
Total U. S. Department of Homeland Security			<u>1,072,261</u>
Total Expenditures of Major Federal Awards			<u>1,385,911</u>
OTHER FEDERAL AWARDS			
U.S. Department of Agriculture - Forest Service/ Passed-through the Mississippi Treasury Department Schools and roads_ grants to states	10.665	N/A	<u>55,000</u>
U.S. Department of Justice - Office of Justice Programs/ Passed-through the Mississippi Department of Public Safety Edward Byrne memorial justice assistance grant program	16.738	06HR1201	<u>155,709</u>
U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	<u>910</u>

GEORGE COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency Disaster grants - public assistance	97.036	1604-DR-MS	<u>107,785</u>
Total Expenditures of Other Federal Awards			<u>319,404</u>
Total Expenditures of Federal Awards			<u>\$ 1,705,315</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

Note B - Assistance to firefighters grants (CFDA #97.044)

Of the federal expenditures presented in the schedule, federal awards totaling \$825,060 represent non-cash awards for 4 fire trucks and fire equipment during the fiscal year ended September 30, 2007.

GEORGE COUNTY

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GEORGE COUNTY

SPECIAL REPORTS

GEORGE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
George County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of George County, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the county's basic financial statements and have issued our report thereon dated April 22, 2009. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the reporting entity that include the financial data for its component unit. 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 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 George County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county'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 the county'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 the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as findings 07-1, 07-2 and 07-3 to be significant deficiencies in internal control over financial reporting.

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 the county'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 deficiencies described above, we consider items 07-1, 07-2 and 07-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether George County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

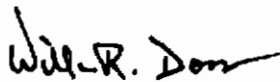
However, we noted certain matters that we reported to the management of George County, Mississippi in the Limited Internal Control and Compliance Review Management Report dated April 22, 2009, included within this document.

George County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit George County's responses and, accordingly, we express no opinion on them.

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



STACEY E. PICKERING
State Auditor



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

April 22, 2009



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
George County, Mississippi

Compliance

We have audited the compliance of George 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, 2007. George 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 George County, Mississippi's management. Our responsibility is to express an opinion on George 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 George 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 George County, Mississippi's compliance with those requirements.

In our opinion, George 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, 2007.

Internal Control Over Compliance

The management of George 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 George County, Mississippi's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A control deficiency in a county's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

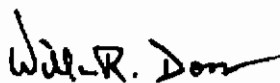
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



STACEY E. PICKERING
State Auditor



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

April 22, 2009



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
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, 2007. 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.

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.

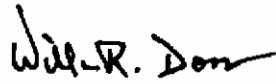
In our opinion, George County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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.



STACEY E. PICKERING
State Auditor



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

April 22, 2009

GEORGE COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2007

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, 2007

Schedule 2

Our test results did not identify any emergency purchases.

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2007

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

GEORGE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
George County, Mississippi

In planning and performing our audit of the financial statements of George County, Mississippi for the year ended September 30, 2007, we considered George County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to George 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 April 22, 2009, on the financial statements of George County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of 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.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings and recommendations and your responses are disclosed below:

Sheriff.

1. Finding

The following deficiencies in internal controls were noted in the Sheriff's accounting system:

- a. Fees collected were not deposited in the bank on a daily basis.
- b. Fees collected were not recorded in a timely manner when received, but later when deposited.
- c. Some collections were not deposited or recorded at all, but remained inside the receipt books for several months until discovered during the audit.

Recommendation

The Sheriff should ensure that funds are deposited on a daily basis, and that collections are recorded the day they are received. Failure to have adequate controls in place could result in the loss or misappropriation of public funds.

Sheriff's Response

I will ensure that the above listed discrepancies are corrected and that collections are received, recorded and deposited in the manner prescribed by law.

Board of Supervisors.

2. Finding

Section 19-11-11, Miss. Code Ann. (1972), requires the Board of Supervisors to prepare a budget for all funds, except Trust and Agency Funds. The county entered into a Home Investment Partnership Program grant agreement, which required that a separate bank account and separate special revenue fund be established to account for activities of the fund. There was no fund established and therefore no budget was prepared to reflect these activities. The failure to prepare a budget for the required fund is in violation of Section 19-11-11, and could result in the loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should prepare a budget for all funds.

Board of Supervisors' Response

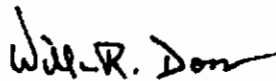
The Board of Supervisors will ensure that any future Home Investment Partnership Program funds are included in the county budget.

George County's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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.



STACEY E. PICKERING
State Auditor



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

April 22, 2009

GEORGE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GEORGE COUNTY

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GEORGE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2007

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Unqualified |
| | Business-type activities | Unqualified |
| | General Fund | Unqualified |
| | District 1 Road Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| | Aggregate discretely presented component unit | Adverse |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 3. | Noncompliance material to the financial statements? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified that is not considered to be a material weakness? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit findings reported as required by Section ___.510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | a. Home investment partnerships program, CFDA #14.239 | |
| | b. State domestic preparedness equipment support program, CFDA #97.004 | |
| | c. Assistance to firefighters grant, CFDA #97.044 | |
| | d. Homeland security grant program, CFDA #97.067 | |
| 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 |

GEORGE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2007

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? Yes

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

07-1. Finding

A critical aspect of effective financial management is the preparation of accurate financial statements. Management did not have personnel who possessed the necessary expertise to prepare financial statements in accordance with generally accepted accounting principles. Therefore, since the county personnel lacked the expertise to apply generally accepted accounting principles in preparing its financial statements, the auditor was relied upon to perform these tasks. Without adequate controls in place over the preparation of financial statements in accordance with generally accepted accounting principles, the risk increases that inaccurate information may be reported.

Recommendation

The Board of Supervisors should establish adequate controls and procedures to ensure that financial statements are presented and disclosed in accordance with generally accepted accounting principles.

Board of Supervisors' Response

We will investigate the efficacy of hiring an independent accountant to prepare these financial statements.

Significant Deficiency - Material Weakness

07-2. Finding

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component unit. The financial statements do not include the financial data for the county's legally separate component unit. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component unit.

Recommendation

The county should provide the financial data for its discretely presented component unit for the inclusion in the county's financial statements.

Board of Supervisors' Response

We will investigate the efficacy of hiring an independent accountant to prepare these financial statements.

GEORGE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2007

Chancery Clerk.

Significant Deficiency - Material Weakness

07-3. Finding

The county is required by law to pass all federal revenues and expenditures through the county's general ledger accounting system. The county entered into a Home Investment Partnership Program grant agreement. During our audit procedures, we noted federal revenues and expenditures related to this particular grant were not received into and disbursed from the county's general ledger. As a result, the county's federal revenues and expenditures were understated by the excluded amounts. Furthermore, internal controls included in the county's general ledger accounting were absent with respect to these excluded federal monies. The absence of these internal controls could result in inaccurate financial information being reported by the county. An adjustment was proposed by the auditor and made by the county to reflect the amounts inappropriately excluded.

Recommendation

The Board of Supervisors should implement controls to ensure that all federal revenues and expenditures are properly reflected in the county's general ledger.

Chancery Clerk's Response

In 2006, the Board of Supervisors approved for me to administer the Home Investment Partnership Program grant. I was not aware that the comptroller needed these funds to be received into and disbursed from the county's general ledger. I handled these funds like I handle all of my Chancery Clerk accounts. This was the first time the Board of Supervisors approved me to administer this type of grant. There was no misappropriation of these federal funds, neither revenues nor expenditures. I will, as Chancery Clerk, in the future, implement controls to ensure that all federal revenues and expenditures that I am responsible for reflect the county's general ledger.

Section 3: Federal Award Findings and Questioned Costs

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

GEORGE COUNTY

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GEORGE COUNTY

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

GEORGE COUNTY

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George County Board of Supervisors

SUE COCHRAN, DISTRICT THREE
LARRY HAVARD, DISTRICT FOUR
ROBERT P. SHEPARD, ATTORNEY
CAMMIE BRANNAN BYRD, CLERK OF BOARD



FRED CROOM, DISTRICT ONE
KELLY WRIGHT, DISTRICT TWO
HENRY COCHRAN, DISTRICT FIVE
CONNIE SHOCKLEY, PURCHASE CLERK

355 Cox Street
LUCEDALE, MISSISSIPPI 39452
601-947-7506

March 26, 2009

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For Year Ended September 30, 2006

Office of the State Auditor
P. O. Box 956
Jackson, MS 39205

Gentlemen:

George County respectfully submits the following schedule of prior audit findings relative to federal awards.

U. S. DEPARTMENT OF HOMELAND SECURITY

2006-FINDING NO. 2: U. S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency, Grant Number 1604-DR-MS.

Condition: The following internal control weaknesses were noted in record-keeping for federal transactions during the audit of the federal expenditures:

- a. Project worksheets and supporting documentation were sometimes not available on file in the county, so copies had to be obtained directly from state officials.
- b. When projects were amended, documentation to support the amendments was not adequately maintained.

The failure to establish an effective system of record keeping for federal expenditures weakened controls for determining allowable costs.

Recommendation: The Chancery Clerk should take steps to ensure that an adequate system of record-keeping is established and maintained for the disaster grants-public assistance.

Current Status: Corrective action was taken.

Sincerely,

A handwritten signature in black ink, appearing to read "Kelly Wright", is written over a large, horizontal, oval-shaped scribble or underline.

Kelly Wright, President
George County Board of Supervisors
601-947-7506