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George County School District
Audited Financial Statements
June 30, 2008

Fortenberry & Ballard, PC
Certified Public Accountants

**George County School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, P.C.

Certified Public Accountants

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

Superintendent and School Board
George County School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the George County School District as of and for the year ended June 30, 2008, which collectively comprise the George County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the George County School District's management. Our responsibility is to express opinions on these basic 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the George County School District at June 30, 2008, and the respective changes in financial position, thereof for the year 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 January 7, 2009, on our consideration of the George County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

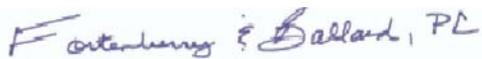
The Management's Discussion and Analysis on pages 7 through 15 and the Budgetary Comparison Schedules and corresponding notes on pages 48 through 53 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We 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.

AICPA & MSCPA

1929 Spillway Road, Suite B, Brandon, MS 39047, Telephone (601) 992-5292

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the George County School District'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. In addition, the Schedule of Instructional, Administrative, and Other Expenditures-Governmental Funds is presented for purposes of additional analysis 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.

The other supplemental information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



Fortenberry & Ballard, PC
January 7, 2009

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

**GEORGE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

The discussion and analysis of George County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$825,457, exclusive of prior period adjustment. The increase in net assets represents 4% increase from fiscal year 2007. This increase is primarily due to the repayment of debt principal during the fiscal year that was not reported as an expense in the Statement of Activities but as a reduction of long-term liabilities on the Statement of Net Assets.
- General revenues account for \$25,377,907 in revenue, or 81% of all revenues. This amount was more than the general revenues reported for the year 2007, which consisted of \$23,662,423 in revenue, or 75% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,877,456 or 19% of total revenues compared with \$7,810,672 in 2007.
- The District had \$30,429,906 in expenses, an amount that increased when compared with the \$29,207,647 in expenses for the prior year; \$5,877,456 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$25,377,907 were adequate to provide for these programs.
- Among major funds, the General Fund had \$24,426,303 in revenues and \$24,049,880 in expenditures. In 2007 the General Fund had \$22,497,150 in revenues and \$21,255,112 in expenditures. The General Fund's fund balance decreased \$281,970 over the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$241,882. The cause of this decrease was mainly due to the recording of depreciation expense for the year.
- Long-term debt decreased by \$915,236 mainly due to principal payments made during the year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1)

government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities.

The government-wide financial statements can be found on pages 17 and 18 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current

financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 22 and 26, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 20 and 24 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statement of Fiduciary Net Assets on page 27.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-46 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 47-53 of this report.

Additionally, a schedule of expenditures of federal awards, required by OMB Cir. A-133, a schedule of instructional, administrative, and other expenditures for governmental funds and statements of revenues, expenditures and changes in fund balances - last four years have been presented for the General Fund and All Governmental Funds and can be found on pages 55, 56 58 and 59 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$19,864,247 as of June 30, 2008.

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. By far the largest portion of the

District's net assets (61%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and leased property under capital leases), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2008, and 2007.

	2008	2007	Percentage Change	
Current assets	\$ 8,594,018	9,767,158	-12%	(1,173,140)
Capital assets, net	19,909,411	20,151,293	-1%	(241,882)
Total	28,503,429	29,918,451	-5%	(1,415,022)
Current liabilities	682,942	1,974,776	-65%	(1,291,834)
Long-term debt	7,956,240	8,871,476	-10%	(915,236)
Total liabilities	8,639,182	10,846,252	-20%	(2,207,070)
Net assets:				
Invested in capital assets, net of related debt	12,110,483	11,401,822	6%	708,661
Restricted	3,648,630	3,214,661	13%	433,969
Unrestricted	4,105,134	4,455,716	-8%	(350,582)
Total net assets	\$ 19,864,247	19,072,199	4%	792,048

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

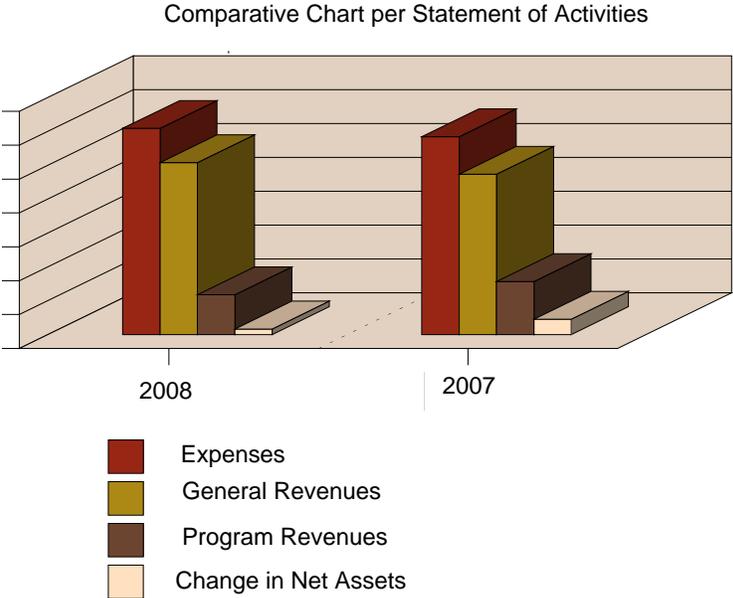
- Current assets decreased from the previous fiscal year due primarily to a decrease in amounts due from other governments. In the previous fiscal year, the District reported large amounts due from the federal government related to the Restart School Grant and other disaster relief grants resulting from Hurricane Katrina.
- Current liabilities decreased from the previous year due primarily to a decrease in accounts payable and accrued liabilities. In the previous year, liabilities associated with accrued payroll at fiscal year end were reported in the governmental funds. However, these liabilities are reported in the fiduciary funds in the current fiscal year.
- The principal retirement of \$950,543 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2008 were \$31,255,363. The total cost of all programs and services was \$30,429,906. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 and 2007.

	<u>2008</u>	<u>2007</u>	<u>Percentage Change</u>	
Revenues:				
Program revenues:				
Charges for services	\$ 1,052,463	1,092,354	-4%	(39,891)
Operating grants and contributions	4,697,920	6,696,318	-30%	(1,998,398)
Capital grants and contributions	<u>127,073</u>	<u>22,000</u>	478%	105,073
Total program revenues	5,877,456	7,810,672	-25%	(1,933,216)
General revenues:				
Property taxes	3,641,648	3,754,544	-3%	(112,896)
Grants and contributions not restricted	20,945,673	19,013,249	10%	1,932,424
Unrestricted investment earnings	362,706	338,931	7%	
Sixteenth section sources	98,277	38,208	157%	
Other	<u>329,603</u>	<u>517,491</u>	-36%	(187,888)
Total general revenues	25,377,907	23,662,423	7%	1,715,484
Total revenues	31,255,363	31,473,095	-1%	(217,732)
Expenses:				
Instruction	18,630,293	17,735,574	5%	894,719
Support services	8,695,342	8,627,059	1%	68,283
Non-instructional	2,730,689	2,412,054	13%	318,635
Sixteenth section sources	7,950	29,115	-73%	(21,165)
Interest on long-term debt	<u>365,632</u>	<u>403,845</u>	-9%	(38,213)
Total expenses	30,429,906	29,207,647	4%	1,222,259
Increase (decrease) in net assets	825,457	2,265,448	-64%	<u>-1,439,991</u>
Net Assets, July 1	19,072,199	16,288,957	17%	2,783,242
Prior Period Adjustment	<u>(33,409)</u>	<u>517,794</u>	-106%	(551,203)
Net Assets, Restated	19,038,790	16,806,751	13%	2,232,039
Net Assets, June 30	<u>\$ 19,864,247</u>	<u>19,072,199</u>	4%	792,048

The following are significant current year transactions that have had an impact on the Statement of Activities:

- Program revenues decreased from the previous fiscal year due primarily to a decrease in operating grants and contributions. In the previous fiscal year, the District reported revenue related to the Restart School Grant and other disaster relief grants resulting from Hurricane Katrina. The revenue received in the current fiscal year under the disaster relief grants was significantly less.
- General revenues increased from the previous fiscal year due primarily to an increase in unrestricted state grants and contributions, specifically an increase in Mississippi Adequate Education Program (MAEP) funds.
- Instruction expenses increased from the previous year due primarily to an increase in salaries and benefits of District employees.

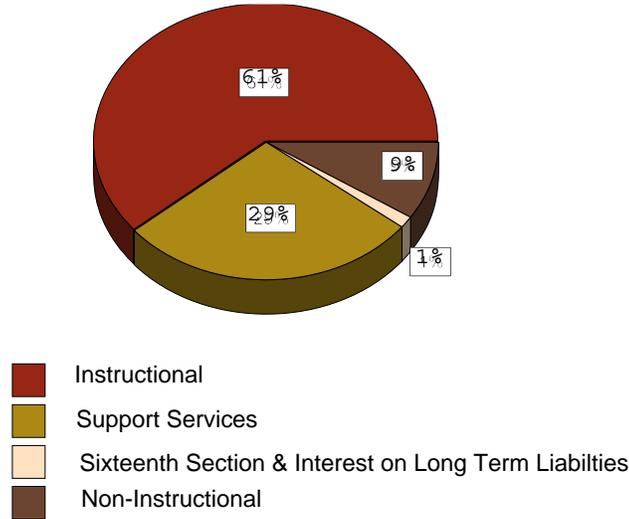


Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest on long-term debt. The table also shows each function’s net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District’s taxpayers by each of these functions.

	2008 Expenses	2007 Expenses	2008 Net (Expense) Revenue	2007 Net (Expense) Revenue
Instruction	\$ 18,630,293	17,735,574	(16,011,252)	(14,104,728)
Support services	8,695,342	8,627,059	(7,527,151)	(6,851,760)
Non-instructional	2,730,689	2,412,054	(646,787)	(7,527)
Sixteenth section	7,950	29,115	(2,174)	(29,115)

Interest on long-term liabilities	<u>365,632</u>	<u>403,845</u>	<u>(365,086)</u>	<u>(403,845)</u>
Total Expenses	<u>\$ 30,429,906</u>	<u>29,207,647</u>	<u>(24,552,450)</u>	<u>(21,396,975)</u>

Chart of Expenses per Statement of Activities



- The net cost of governmental activities for fiscal year 2008 (\$24,552,450) was financed by general revenue, which is made up of primarily property taxes \$3,641,648 and state revenues \$20,860,311.
- Investment earnings accounted for \$362,706 of funding and sixteenth section sources accounted for \$98,277.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District’s governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District’s net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$8,049,696, an increase of \$138,698. \$3,259,062, or 41%, of the fund balance is reported by fund type in the unreserved, undesignated portion of the Governmental Funds Balance Sheet. The portion of the fund balance reported in the General Fund is available for spending at the District’s discretion. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. \$2,514,326, or 31%, of the fund balance is reported in the unreserved, designated section of the Governmental Funds Balance Sheet and will be used for future capital

projects. The remaining fund balance of \$2,276,308, or 28%, is reserved or designated to indicated that is not available for spending because it has already been committed. This portion of the fund balance is reserved for inventory, prepaid items, unemployment benefits, forestry improvements, debt service purposes and permanent fund purposes.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$281,970 after transfers made to other governmental funds to cover the cost of current year operations. The fund balance of Other Governmental Funds showed an increase of \$23,161. The fund balance of the Unemployment Compensation Fund increased \$268,045 due primarily to earnings on investments during the fiscal year. The Sixteenth Section Interest Funds showed an increased of \$129,462 in fund balance due primarily to sixteenth section sources generated during the fiscal year mainly from sixteenth section leases and earnings on investments and transfers from other governmental funds.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Historical data, tentative allocations of state and federal funds, legislative mandates, and anticipated needs are used to determine original budget amounts.

The District's original budget was prepared with the district's goals and long range commitments in mind, using historical data, tentative allocations or estimates of state and federal funds, legislative mandates, staffing studies, and current and anticipated needs. Over the course of the year, the District revised the annual operating budget as changes occurred.

Budget amounts for expenditures were amended to reflect actual revenues and expenditures.

At the time the original budget was prepared only estimates were available for federal funding. Typically original budgets are prepared using prior year allocation as estimates. Once federal awards were known, budgets were amended to the actual grant award amount. Over the course of the year, the District revised the annual operating budget.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and other major special revenue funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District's total capital assets were \$32,396,102, including land, school buildings, buses, other school vehicles, furniture and equipment, and construction in progress. This amount represents an increase of \$588,845 from the previous year. One major component of this increase was the completed construction during the year. Total accumulated depreciation as of June 30, 2008 was \$12,486,691 and total depreciation expense for the year was \$915,148, resulting in total net capital assets of \$19,909,411.

	<u>2008</u>	<u>2007</u>	Percentage Change	
Land	\$ 94,760	94,760	0%	0
Construction in progress	24,617	2,822,735	-99%	(2,798,118)
Buildings	16,661,658	14,167,130	18%	2,494,528
Building improvements	425,951	457,414	-7%	(31,463)
Improvements other than buildings	736,857	630,983	17%	105,874
Mobile equipment	1,240,282	1,129,667	10%	110,615
Furniture and equipment	610,005	677,224	-10%	(67,219)
Leased property under capital leases	115,281	171,380	-33%	(56,099)
Total	\$ <u>19,909,411</u>	<u>20,151,293</u>	-1%	(241,882)

Debt Administration. At June 30, 2008, the District had \$2,010,000 in general obligation bonds outstanding and \$5,946,240 other long-term debt outstanding, of which \$1,001,913 is due within one year.

	<u>2008</u>	<u>2007</u>	Percentage Change	
General obligation bonds	\$ 2,010,000	2,355,000	-15%	(345,000)
Limited obligation bonds payable	4,670,000	4,990,000	-6%	(320,000)
Three mill notes payable	989,609	1,215,092	-19%	(225,483)
Obligations under capital leases	129,319	189,379	-32%	(60,060)
Compensated absences	157,312	122,005	29%	35,307
Total	\$ <u>7,956,240</u>	<u>8,871,476</u>	-10%	(915,236)

Additional information of the District's long-term debt can be found in Note 6 on page 37 of this report.

CURRENT ISSUES

The George County School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. The District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the George County School District, 5152 Main Street, Lucedale, MS 39452.

FINANCIAL STATEMENTS

GEORGE COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Activities
ASSETS	
Assets:	
<i>Cash and cash equivalents</i>	\$ 7,194,173
<i>Due from other governments</i>	1,214,281
<i>Inventories and prepaid items</i>	75,499
<i>Restricted assets</i>	110,065
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	94,760
<i>Construction in progress</i>	24,617
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	16,661,658
<i>Building improvements</i>	425,951
<i>Improvements other than buildings</i>	736,857
<i>Mobile equipment</i>	1,240,282
<i>Furniture and equipment</i>	610,005
<i>Leased property under capital leases</i>	115,281
Total Assets	<u>28,503,429</u>
Liabilities:	
<i>Accounts payable and accrued liabilities</i>	544,322
<i>Interest payable on long-term liabilities</i>	138,620
Long-term liabilities (due within one year)	
<i>Capital related liabilities</i>	1,001,913
Long-term liabilities (due beyond one year)	
<i>Capital related liabilities</i>	6,797,015
<i>Non-capital related liabilities</i>	157,312
Total Liabilities	<u>8,639,182</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	12,110,483
Restricted Net Assets:	
Expendable:	
School Based Activities	1,586,441
Debt Service	652,952
Unemployment Benefits	1,281,985
Forestry Improvements	17,187
Nonexpendable:	
Sixteenth Section	110,065
Unrestricted	4,105,134
Total Net Assets	<u>\$ 19,864,247</u>

The accompanying notes are an integral part of this statement.

GEORGE COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
<i>Instruction</i>	18,630,293	409,077	2,082,891	127,073	(16,011,252)
<i>Support services</i>	8,695,342	--	1,168,191	--	(7,527,151)
<i>Noninstructional services</i>	2,730,689	637,610	1,446,292	--	(646,787)
<i>Sixteenth section</i>	7,950	5,776	--	--	(2,174)
<i>Interest on long-term liabilities</i>	365,632	--	546	--	(365,086)
Total Primary Government	<u>\$ 30,429,906</u>	<u>\$ 1,052,463</u>	<u>\$ 4,697,920</u>	<u>\$ 127,073</u>	<u>(24,552,450)</u>
General Revenues:					
Taxes:					
					3,024,523
					617,125
<i>Unrestricted grants and contributions:</i>					
					20,860,311
					85,362
					362,706
					98,277
					329,603
					<u>25,377,907</u>
					825,457
					19,072,199
					(33,409)
					19,038,790
					<u>\$ 19,864,247</u>

The accompanying notes are an integral part of this statement.

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GEORGE COUNTY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2008

	General Fund	Title I Fund	EHA Part B Grant Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Assets:			
<i>Cash and other deposits</i>	\$ 3,838,128	\$ --	\$ --
<i>Due from other governments</i>	410,989	147,927	137,407
<i>Due from other funds</i>	387,512	--	--
<i>Inventories and prepaid items</i>	33,752	--	--
Total Assets	<u>\$ 4,670,381</u>	<u>\$ 147,927</u>	<u>\$ 137,407</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
<i>Accounts payable and accrued liabilities</i>	\$ 374,630	\$ 34,722	\$ 3,837
<i>Due to other funds</i>	--	113,205	133,570
Total Liabilities	<u>374,630</u>	<u>147,927</u>	<u>137,407</u>
Fund balances:			
Reserved for:			
<i>Inventory</i>	--	--	--
<i>Prepaid items</i>	33,752	--	--
<i>Unemployment benefits</i>	--	--	--
<i>Forestry improvements</i>	--	--	--
<i>Debt service fund</i>	--	--	--
<i>Permanent funds</i>	--	--	--
Unreserved, designated for:			
<i>Capital projects</i>	2,514,326	--	--
Unreserved, undesignated, reported in:			
<i>General fund</i>	1,747,673	--	--
<i>Special revenue fund</i>	--	--	--
Total Fund Balances	<u>4,295,751</u>	<u>--</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 4,670,381</u>	<u>\$ 147,927</u>	<u>\$ 137,407</u>

The accompanying notes are an integral part of this statement.

Unemployment Compensation Fund	Sixteenth Section Interest Funds	Other Governmental Funds	Total Governmental Funds
\$ 1,281,985	\$ 1,114,135	\$ 1,069,990	\$ 7,304,238
--	21,220	482,442	1,199,985
--	--	--	387,512
--	--	41,747	75,499
<u>\$ 1,281,985</u>	<u>\$ 1,135,355</u>	<u>\$ 1,594,179</u>	<u>\$ 8,967,234</u>
\$ --	\$ 1,783	\$ 129,350	\$ 544,322
--	--	126,441	373,216
<u>--</u>	<u>1,783</u>	<u>255,791</u>	<u>917,538</u>
--	--	41,747	41,747
--	--	--	33,752
1,281,985	--	--	1,281,985
--	--	17,187	17,187
--	--	791,572	791,572
--	--	110,065	110,065
--	--	--	2,514,326
--	--	--	1,747,673
--	1,133,572	377,817	1,511,389
<u>1,281,985</u>	<u>1,133,572</u>	<u>1,338,388</u>	<u>8,049,696</u>
<u>\$ 1,281,985</u>	<u>\$ 1,135,355</u>	<u>\$ 1,594,179</u>	<u>\$ 8,967,234</u>

GEORGE COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances - governmental funds balance sheet	\$ 8,049,696
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	19,909,411
Liabilities due in one year are included in SNA but not in the funds.	(1,001,913)
Payables for bond principal which are not due in the current period are not reported in the funds.	(5,975,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(66,243)
Payables for bond interest which are not due in the current period are not reported in the funds.	(138,620)
Payables for notes which are not due in the current period are not reported in the funds.	(755,772)
Payables for compensated absences not due in current period are not reported in the funds.	<u>(157,312)</u>
Net assets of governmental activities - statement of net assets	<u>\$ 19,864,247</u>

The accompanying notes are an integral part of this statement.

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GEORGE COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Title I Fund	EHA Part B Grant Fund
Revenue:			
<i>Local sources</i>	\$ 3,533,088	\$ --	\$ --
<i>Intermediate sources</i>	66,167	--	--
<i>State sources</i>	20,598,520	--	--
<i>Federal sources</i>	228,528	891,802	813,361
<i>Sixteenth section sources</i>	--	--	--
Total revenues	<u>24,426,303</u>	<u>891,802</u>	<u>813,361</u>
Expenditures:			
<i>Instruction</i>	16,032,691	247,648	558,169
<i>Support services</i>	7,643,976	609,285	249,445
<i>Noninstructional services</i>	132,713	27,369	--
<i>Sixteenth section</i>	--	--	--
<i>Facilities acquisition and construction</i>	171,782	--	--
<i>Debt service:</i>			
<i>Principal</i>	60,060	--	--
<i>Interest</i>	8,658	--	--
<i>Other</i>	--	--	--
Total expenditures	<u>24,049,880</u>	<u>884,302</u>	<u>807,614</u>
Excess (deficiency) of revenues (under) expenditures	376,423	7,500	5,747
Other financing sources (uses):			
<i>Insurance loss recoveries</i>	180,790	--	--
<i>Sale of transportation equipment</i>	17,910	--	--
<i>Transfers In</i>	--	--	--
<i>Transfers Out</i>	(857,093)	(7,500)	(5,747)
Total other financing sources (uses)	<u>(658,393)</u>	<u>(7,500)</u>	<u>(5,747)</u>
Net Change in Fund Balance	(281,970)	--	--
Fund Balances:			
July 1, 2007	4,577,721	--	--
Prior period adjustment	--	--	--
July 1, 2007 as restated	<u>4,577,721</u>	<u>--</u>	<u>--</u>
Increase (decrease) in reserve for inventory	--	--	--
June 30, 2008	<u>\$ 4,295,751</u>	<u>\$ --</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

Unemployment Compensation Fund	Sixteenth Section Interest Funds	Other Governmental Funds	Total Governmental Funds
\$ 272,564	\$ --	\$ 1,253,573	\$ 5,059,225
--	--	--	66,167
--	--	1,129,797	21,728,317
--	--	2,108,658	4,042,349
--	61,790	102,815	164,605
<u>272,564</u>	<u>61,790</u>	<u>4,594,843</u>	<u>31,060,663</u>
--	--	1,464,192	18,302,700
4,519	--	333,692	8,840,917
--	--	2,188,928	2,349,010
--	5,423	2,527	7,950
--	--	116,964	288,746
--	--	890,483	950,543
--	--	371,286	379,944
--	--	855	855
<u>4,519</u>	<u>5,423</u>	<u>5,368,927</u>	<u>31,120,665</u>
268,045	56,367	(774,084)	(60,002)
--	--	--	180,790
--	--	--	17,910
--	73,095	1,069,901	1,142,996
--	--	(272,656)	(1,142,996)
<u>--</u>	<u>73,095</u>	<u>797,245</u>	<u>198,700</u>
268,045	129,462	23,161	138,698
1,013,940	1,004,110	1,350,398	7,946,169
--	--	(33,752)	(33,752)
<u>1,013,940</u>	<u>1,004,110</u>	<u>1,316,646</u>	<u>7,912,417</u>
--	--	(1,419)	(1,419)
<u>\$ 1,281,985</u>	<u>\$ 1,133,572</u>	<u>\$ 1,338,388</u>	<u>\$ 8,049,696</u>

GEORGE COUNTY SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008*

Net change in fund balances - total governmental funds	\$ 138,698
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	677,762
The depreciation of capital assets used in governmental activities is not reported in the funds.	(915,148)
The gain or loss on the sale of capital assets is not reported in the funds.	13,071
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(17,910)
Change in inventory is an adjustment to fund balance in the funds but affects expense in SOA.	(1,419)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	665,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	60,060
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	225,483
(Increase) decrease in accrued interest from beginning of period to end of period	15,167
Compensated absences reported as amount earned in SOA but as amount paid in the funds.	<u>(35,307)</u>
Change in net assets of governmental activities - statement of activities	<u>\$ 825,457</u>

The accompanying notes are an integral part of this statement.

GEORGE COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2008

	Private-purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
<i>Cash and other deposits</i>	\$ 362	\$ 1,561,658
Total Assets	<u>\$ 362</u>	<u>\$ 1,561,658</u>
LIABILITIES		
<i>Accounts payable and accrued liabilities</i>		\$ 1,454,635
<i>Due to student clubs</i>		92,727
<i>Due to other funds</i>		14,296
Total Liabilities		<u>\$ 1,561,658</u>
NET ASSETS		
<i>Reserved for endowments</i>	\$ 362	
Total Net Assets	<u>\$ 362</u>	

The accompanying notes are an integral part of this statement.

GEORGE COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Private- Purpose Trusts
Additions:	
Investment Income	\$ 2
Total Additions	<u>2</u>
Change in Net Assets	2
Net Assets-Beginning of the Year	360
Net Assets-End of the Year	<u>\$ 362</u>

The accompanying notes are an integral part of this statement.

George County School District

Notes to the Financial Statements
June 30, 2008

George County School District

Notes to the Financial Statements
For the Year Ended June 30, 2008

(1) Summary of Significant Accounting Policies.

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity.

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member was elected by the citizens of each defined county district.

For financial reporting purposes, George County School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

B. Basis of Presentation.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by outstanding balances for bonds,

George County School District

Notes to the Financial Statements For the Year Ended June 30, 2008

notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

2. *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. *Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements:

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Title I Fund - This is the school district's federally funded program offering remedial mathematics, language arts, and reading instruction to eligible students under a school-wide structured project.

EHA Part B Grant Fund - This fund accounts for the resources related to the education of children with disabilities.

Unemployment Compensation Fund - This fund is used to account for the unemployment compensation for the district.

George County School District

Notes to the Financial Statements
For the Year Ended June 30, 2008

Sixteenth Section Interest Fund - This fund is used to account for maintaining and improving sixteenth section lands

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The school district also reports fiduciary funds which focus on net assets and changes in net assets.

The District's fiduciary funds include two (2) private purpose trust funds which reports a trust arrangement. These fiduciary funds include also three (3) agency funds, which are used to report resources held by the district in a purely custodial capacity.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

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

Capital Project Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Permanent Funds - Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities,

George County School District

Notes to the Financial Statements For the Year Ended June 30, 2008

governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Ad valorem property taxes are levied by the governing authorities of the county on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

Capital acquisition and construction are reflected as expenditures in the governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-

George County School District

Notes to the Financial Statements For the Year Ended June 30, 2008

reimbursement grant resources to such programs and then general revenues.

The effect of interfund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program Revenues are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

D. 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 and are consistent with the broad classifications recommended in the *Financial Accounting for Local and State School Systems, 2003* issued by the U.S. Department of Education.

E. Encumbrances.

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

F. Assets, liabilities, and net assets or equity.

1. Cash, Cash equivalents and Investments

Cash and cash equivalents.

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three month or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments.

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the type described in Sections 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

George County School District

Notes to the Financial Statements
For the Year Ended June 30, 2008

Investments for the district are reported at fair market value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi, and various grants and reimbursements from other governments.

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The cost of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the balance sheet because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this account.

6. Capital Assets

Capital assets, which include property, plant, furniture and equipment, are

George County School District

Notes to the Financial Statements For the Year Ended June 30, 2008

reported in the applicable governmental activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the following table and estimated useful lives in excess of two years.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is calculated on the straight-line basis for all assets, except land. The following scale details those thresholds.

	Capitalization <u>Policy</u>	Estimated <u>Useful Life</u>
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 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	*	*

(*) The threshold amounts will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required to do so by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the compensated absence liability payable from expendable available financial resources only if the payable has

George County School District

Notes to the Financial Statements For the Year Ended June 30, 2008

matured, for example, an employee retires.

8. Long-term Liabilities, Deferred Debt Expenses, and Bond Discounts/ Premiums.

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue costs, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

9. Fund equity.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for prepaid items - An account that represents a portion of the fund balance which indicates that prepaid items do not represent available spendable resources even though they are a component of net current assets.

Reserved for unemployment benefits - An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

Reserved for forestry improvements - An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest lands.

George County School District

Notes to the Financial Statements For the Year Ended June 30, 2008

Reserved for debt service - An account that represents that portion of fund balance in the Debt Service Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for permanent fund purposes - An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

Unreserved, designated for capital projects - An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future repairs, renovations, and construction projects of district buildings and facilities.

Unreserved, undesignated - An account that represent portions of fund balance that is expendable available financial resources.

(2) Cash and Cash Equivalents.

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' 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 Deposit Insurance Corporation.

The carrying amount of the school district's deposits reported in the governmental funds and fiduciary funds was \$7,304,238 and \$1,562,020, respectively. The carrying amount of deposits reported in government-wide statements was: cash and cash equivalents \$7,194,173. The bank balance was \$10,023,395.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of

George County School District

Notes to the Financial Statements
For the Year Ended June 30, 2008

the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, none of the district's bank balance of \$10,023,395 was exposed to custodial credit risk.

(3) Interfund Receivables, Payables, and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I Fund	\$ 113,205
	EHA Part B Grant Fund	133,570
	Other Governmental Funds	126,441
	Fiduciary Funds	<u>14,296</u>
Total		\$ <u><u>387,512</u></u>

The purpose of the Due From/To other funds balances was to cover deficit cash balances. All balances are expected to be repaid within one year from the date of the financial statements.

B. Interfund Transfers.

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 783,998
	Title I Fund	7,500
	EHA Part B Grant Fund	5,747
	Other Governmental Funds	272,656
Sixteenth Section Interest Fund	General Fund	<u>73,095</u>
Total		\$ <u><u>1,142,996</u></u>

Transfers were made for indirect cost transfers and budgetary allocations. All transfers were routine and consistent with the fund making the transfer.

(4) Restricted Assets.

The restricted assets represent the cash balance, totaling \$110,065, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for

George County School District

Notes to the Financial Statements For the Year Ended June 30, 2008

purposes that support the district's programs.

(5) Capital Assets.

The following is a summary of changes in capital assets for governmental activities:

	Balance 7-1-2007	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2008
<u>Non-depreciable capital assets:</u>						
Land	\$ 94,760					94,760
Construction in progress	2,822,735	24,617		(2,822,735)		24,617
Total non-depreciable capital assets	2,917,495	24,617	0	(2,822,735)	0	119,377
<u>Depreciable capital assets:</u>						
Buildings	22,333,608	31,586		2,822,735		25,187,929
Building improvements	786,577					786,577
Improvements other than buildings	1,045,351	153,554				1,198,905
Mobile equipment	2,810,004	329,000	5,000			3,134,004
Furniture and equipment	1,520,349	139,005	44,445			1,614,909
Leased property under capital leases	393,873		39,472			354,401
Total depreciable capital assets	28,889,762	653,145	88,917	2,822,735	0	32,276,725
<u>Less accumulated depreciation for :</u>						
Buildings	8,166,478	361,602			(1,809)	8,526,271
Building improvements	329,163	31,463				360,626
Improvements other than buildings	414,368	47,680				462,048
Mobile equipment	1,680,337	214,242	1,000		143	1,893,722
Furniture and equipment	843,125	204,456	44,001		1,324	1,004,904
Leased property under capital leases	222,493	55,705	39,077		(1)	239,120
Total accumulated depreciation	11,655,964	915,148	84,078	0	(343)	12,486,691
Total depreciable capital assets, net	17,233,798	(262,003)	4,839	2,822,735	343	19,790,034
Governmental activities capital assets, net	20,151,293	(237,386)	4,839	0	343	19,909,411

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$640,604
Support services	183,030
Non-Instructional	<u>91,514</u>
Total depreciation expense	<u>\$915,148</u>

Adjustment was made to correctly state capital assets at fiscal year end.

Commitments under construction contracts at June 30, 2008, are summarized as follows:

<u>Spent to</u>	<u>Remaining</u>
<u>June 30, 2008</u>	<u>Commitment</u>

George County School District

Notes to the Financial Statements For the Year Ended June 30, 2008

RES Elementary School	\$	24,617	639,883
Total	\$	<u>24,647</u>	<u>639,883</u>

Construction projects included in governmental activities are funded with local sources.

(6) Long-term liabilities.

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

	Balance 7-1-2007	Additions	Reductions	Adjustments	Balance 6-30-2008	Amounts due within one year
A. General obligation bonds payable	\$ 2,355,000		345,000		2,010,000	370,000
B. Limited obligation bonds payable	4,990,000		320,000		4,670,000	335,000
C. Three mill notes payable	1,215,092		225,483		989,609	233,837
D. Obligations under capital leases	189,379		60,060		129,319	63,076
E. Compensated absences payable	<u>122,005</u>	<u>35,307</u>			<u>157,312</u>	
Total	\$ <u>8,871,476</u>	<u>35,307</u>	<u>950,543</u>	<u>0</u>	<u>7,956,240</u>	<u>1,001,913</u>

A. General obligation bonds payable.

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, (Series 1999)	3.45-4.4%	03-15-99	03-15-13	\$ <u>4,915,000</u>	<u>2,010,000</u>
Total				\$ <u>4,915,000</u>	<u>2,010,000</u>

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2009	\$ 370,000	86,890	456,890
2010	385,000	71,165	456,165
2011	400,000	54,610	454,610
2012	420,000	37,410	457,410

George County School District

Notes to the Financial Statements For the Year Ended June 30, 2008

2013	<u>435,000</u>	<u>19,140</u>	<u>454,140</u>
Total	\$ <u>2,010,000</u>	<u>269,215</u>	<u>2,279,215</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss Code Ann. (1972) have been met. As of June 30, 2008, the amount of outstanding bonded indebtedness was equal to 2% of property assessments as of October 1, 2007. This debt will be retired from the Bond Issue Retirement Fund.

B. Limited obligations bonds.

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district. Limited obligation bond currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Bonds	4.3-6.0%	03-01-98	02-01-18	\$ 6,910,000	4,670,000
Total				\$ <u>6,910,000</u>	<u>4,670,000</u>

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2009	\$ 335,000	210,090	545,090
2010	350,000	195,020	545,020
2011	360,000	179,400	539,400
2012	375,000	162,855	537,855
2013	395,000	145,145	540,145
2014-2018	<u>2,855,000</u>	<u>415,576</u>	<u>3,270,576</u>
Total	\$ <u>4,670,000</u>	<u>1,308,086</u>	<u>5,978,086</u>

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues from the State of Mississippi pursuant to the Mississippi Accountability and the Adequate Education Act, Sections 37-151-1 through 37-151-107 of the Mississippi Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP Retirement Fund.

George County School District

Notes to the Financial Statements
For the Year Ended June 30, 2008

C. Three Mill Notes Payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three Mill Note	3.75%	12-05-06	12-05-11	\$ 1,432,425	989,609
Total				\$ <u>1,432,425</u>	<u>989,609</u>

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2009	\$ 233,837	37,212	271,049
2010	242,708	28,341	271,049
2011	251,809	19,240	271,049
2012	261,255	9,797	271,052
Total	\$ <u>989,609</u>	<u>94,590</u>	<u>1,084,199</u>

This debt will be retired from the Three Mill Notes Retirement Fund.

D. Obligations under Capital Leases.

The school district has entered into a lease agreement as lessee for financing the acquisition of 17 copiers at a cost of \$115,281 with no down payment required. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Copiers	4.96%	10-10-06	04-10-10	\$ 248,000	129,319
Total				\$ <u>248,000</u>	<u>129,319</u>

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2009	\$ 63,076	5,642	68,718

George County School District

Notes to the Financial Statements
For the Year Ended June 30, 2008

2010		66,243	2,475	68,718
Total	\$	129,319	8,117	137,436

This debt will be retired from the District Maintenance Fund.

E. Compensated absences payable.

As more fully explained in Note 1(F)(7), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

(7) Other Commitments.

Commitments under construction contracts are described in Note 5.

(8) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ended June 30, 2008 was 11.85% of the annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007 and 2006 were \$2,056,135, \$1,816,315, and \$1,614,502, respectively, which equaled the required contributions for each year.

(9) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental

George County School District

Notes to the Financial Statements For the Year Ended June 30, 2008

payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2009	\$ 26,413
2010	24,208
2011	22,174
2012	16,066
2013	8,966
2014	8,966
Total	\$ <u>106,793</u>

(10) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as discussed below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 95 school districts and one community college and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

(11) Subsequent Event.

On July 29, 2008 George County School District issued a \$4,473,000 Limited Obligation Bond that will mature on February 1st, 2018 and will pay interest at 3.35%. These funds will be used to fund various classroom and office additions and renovations and construction of the new Benndale Elementary School.

George County School District

Notes to the Financial Statements
For the Year Ended June 30, 2008

(12) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1. To correctly state capital assets.	\$ 343
2. To correctly reflect the reserve for Inventory. Inventory and prepaid items amounts were combined in the prior year.	(33,752)
Total	\$ <u>(33,409)</u>

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

<u>Major Funds</u>	<u>Explanation(s)</u>	<u>Amount</u>
Other Governmental Funds	See explanation above.	\$ (33,752)
Total		\$ <u>(33,752)</u>

REQUIRED SUPPLEMENTARY INFORMATION

GEORGE COUNTY SCHOOL DISTRICT

Exhibit 1

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,443,277	3,484,351	3,533,088	41,074	48,737
Intermediate sources		66,167	66,167	66,167	0
State sources	20,776,373	20,598,520	20,598,520	(177,853)	0
Federal sources	147,500	228,526	228,528	81,026	2
Total Revenues	<u>24,367,150</u>	<u>24,377,564</u>	<u>24,426,303</u>	<u>10,414</u>	<u>48,739</u>
Expenditures:					
Instruction	15,503,665	15,968,154	16,032,691	(464,489)	(64,537)
Support services	7,333,677	7,349,554	7,643,976	(15,877)	(294,422)
Noninstructional services		132,713	132,713	(132,713)	0
Facilities acquisition and construction		171,782	171,782	(171,782)	0
Debt Service					
Principal	65,346	60,060	60,060	5,286	0
Interest	8,658	8,658	8,658	0	0
Total Expenditures	<u>22,911,346</u>	<u>23,690,921</u>	<u>24,049,880</u>	<u>(779,575)</u>	<u>(358,959)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,455,804</u>	<u>686,643</u>	<u>376,423</u>	<u>(769,161)</u>	<u>(310,220)</u>
Other Financing Sources (Uses):					
Insurance loss recoveries	100,000	180,790	180,790	80,790	0
Sale of Transportation Equipment		17,910	17,910	17,910	0
Transfers In	2,518,085	3,743,597		1,225,512	(3,743,597)
Sale of other property		4,350		4,350	(4,350)
Transfers Out	(3,710,748)	(4,600,691)	(857,093)	(889,943)	3,743,598
Total Other Financing Sources (Uses)	<u>(1,092,663)</u>	<u>(654,044)</u>	<u>(658,393)</u>	<u>438,619</u>	<u>(4,349)</u>
Net Change in Fund Balances	<u>363,141</u>	<u>32,599</u>	<u>(281,970)</u>	<u>(330,542)</u>	<u>(314,569)</u>
Fund Balances:					
July 1, 2007			4,577,721	0	4,577,721
Prior period adjustments		(11,290)		(11,290)	11,290
July 1, 2007, as restated	<u>0</u>	<u>(11,290)</u>	<u>4,577,721</u>	<u>(11,290)</u>	<u>4,589,011</u>
June 30, 2008	<u>\$ 363,141</u>	<u>21,309</u>	<u>4,295,751</u>	<u>(341,832)</u>	<u>4,274,442</u>

The notes to the required supplementary information are an integral part of this statement.

GEORGE COUNTY SCHOOL DISTRICT

Exhibit 2

Budgetary Comparison Schedule

Title I Fund

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,029,575	891,802	891,802	(137,773)	0
Total Revenues	<u>1,029,575</u>	<u>891,802</u>	<u>891,802</u>	<u>(137,773)</u>	<u>0</u>
Expenditures:					
Instruction	167,445	247,648	247,648	(80,203)	(0)
Support services	770,811	609,285	609,285	161,526	0
Noninstructional services	74,903	27,369	27,369	47,534	0
Total Expenditures	<u>1,013,159</u>	<u>884,302</u>	<u>884,302</u>	<u>128,857</u>	<u>(0)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>16,416</u>	<u>7,500</u>	<u>7,500</u>	<u>(8,916)</u>	<u>0</u>
Other Financing Sources (Uses):					
Transfers out	<u>(7,500)</u>	<u>(7,500)</u>	<u>(7,500)</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(7,500)</u>	<u>(7,500)</u>	<u>(7,500)</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>8,916</u>	<u>0</u>	<u>0</u>	<u>(8,916)</u>	<u>0</u>
Fund Balances:					
July 1, 2007			0	0	0
June 30, 2008	\$ <u>8,916</u>	<u>0</u>	<u>0</u>	<u>(8,916)</u>	<u>0</u>

The notes to the required supplementary information are an integral part of this statement.

GEORGE COUNTY SCHOOL DISTRICT

Exhibit 3

Budgetary Comparison Schedule
 EHA Part B Grant Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 930,276	813,362	813,361	(116,914)	(1)
Total Revenues	<u>930,276</u>	<u>813,362</u>	<u>813,361</u>	<u>(116,914)</u>	<u>(1)</u>
Expenditures:					
Instruction	616,796	558,169	558,169	58,627	(0)
Support services	254,146	249,446	249,445	4,700	1
Total Expenditures	<u>870,942</u>	<u>807,614</u>	<u>807,614</u>	<u>63,328</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>59,334</u>	<u>5,747</u>	<u>5,747</u>	<u>(53,587)</u>	<u>(0)</u>
Other Financing Sources (Uses):					
Transfers out	(5,747)	(5,747)	(5,747)	(0)	0
Total Other Financing Sources (Uses)	<u>(5,747)</u>	<u>(5,747)</u>	<u>(5,747)</u>	<u>(0)</u>	<u>0</u>
Net Change in Fund Balances	<u>53,587</u>	<u>(0)</u>	<u>0</u>	<u>(53,587)</u>	<u>(0)</u>
Fund Balances:					
July 1, 2007				0	0
June 30, 2008	<u>\$ 53,587</u>	<u>(0)</u>	<u>0</u>	<u>(53,587)</u>	<u>0</u>

The notes to the required supplementary information are an integral part of this statement.

GEORGE COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Unemployment Compensation Fund
 For the Year Ended June 30, 2008

Exhibit 4

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 130,000	272,563	272,564	142,563	1
Federal sources	35,078			(35,078)	0
Total Revenues	<u>165,078</u>	<u>272,563</u>	<u>272,564</u>	<u>107,485</u>	<u>1</u>
Expenditures:					
Instructional	384			384	
Support Services		4,519	4,519	(4,519)	(0)
Total Expenditures	<u>384</u>	<u>4,519</u>	<u>4,519</u>	<u>(4,135)</u>	<u>(0)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>164,694</u>	<u>268,044</u>	<u>268,045</u>	<u>103,350</u>	<u>1</u>
Other Financing Sources (Uses):					
Other financing sources				0	0
Transfers in				0	0
Transfers out	(120,000)			120,000	0
Total Other Financing Sources (Uses)	<u>(120,000)</u>	<u>0</u>	<u>0</u>	<u>120,000</u>	<u>0</u>
Net Change in Fund Balances	<u>44,694</u>	<u>268,044</u>	<u>268,045</u>	<u>223,350</u>	<u>1</u>
Fund Balances:					
July 1, 2007			1,013,940	0	1,013,940
June 30, 2008	\$ <u>44,694</u>	<u>268,044</u>	<u>1,281,985</u>	<u>223,350</u>	<u>1,013,941</u>

The notes to the required supplementary information are an integral part of this statement.

GEORGE COUNTY SCHOOL DISTRICT

Exhibit 5

Budgetary Comparison Schedule
 Sixteenth Section Interest Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 15,000			(15,000)	
Sixteenth section sources	28,000	61,790	61,790	33,790	0
Total Revenues	<u>43,000</u>	<u>61,790</u>	<u>61,790</u>	<u>18,790</u>	<u>0</u>
Expenditures:					
Sixteenth section		5,423	5,423	(5,423)	(0)
Total Expenditures	<u>0</u>	<u>5,423</u>	<u>5,423</u>	<u>(5,423)</u>	<u>(0)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>43,000</u>	<u>56,367</u>	<u>56,367</u>	<u>13,367</u>	<u>(0)</u>
Other Financing Sources (Uses):					
Other financing sources				0	0
Transfers in	30,000	73,095	73,095	43,095	(0)
Transfers out	(45,000)			45,000	0
Total Other Financing Sources (Uses)	<u>(15,000)</u>	<u>73,095</u>	<u>73,095</u>	<u>88,095</u>	<u>(0)</u>
Net Change in Fund Balances	<u>28,000</u>	<u>129,462</u>	<u>129,462</u>	<u>101,462</u>	<u>(0)</u>
Fund Balances:					
July 1, 2007			1,004,110	0	1,004,110
June 30, 2008	\$ <u>28,000</u>	<u>129,462</u>	<u>1,133,572</u>	<u>101,462</u>	<u>1,004,110</u>

The notes to the required supplementary information are an integral part of this statement.

George County School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2008

Budgetary Comparison Schedule

(1) Basis of Presentation.

The Budgetary Comparison Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget amendments and revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the general fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTAL INFORMATION

George County School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

Schedule 1

FEDERAL GRANT OR PASS-THROUGH GRANT OR PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U. S. DEPARTMENT OF AGRICULTURE/ Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	472,752
National School Lunch Program	10.555	940,270
Total Child Nutrition cluster		<u>1,413,022</u>
Total passed-through the MDE		<u>1,413,022</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>1,413,022</u>
U. S. DEPARTMENT OF DEFENSE		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	35,008
TOTAL U.S. DEPARTMENT OF DEFENSE		<u>35,008</u>
FEDERAL COMMUNICATION COMMISSION		
Administered through Universal Service Administrative Company:		
The school and libraries program of the Universal Service Fund	32.xxx	55,055
Total Federal Communication Commission		<u>55,055</u>
U. S. DEPARTMENT OF EDUCATION/ Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	884,302
Career and Technical Education - Basic Grants to States	84.048	50,302
Safe and Drug-Free Schools and Communities - State Grants	84.186	27,865
Education for Homeless Children and Youth	84.196	32,859
Twenty-First Century Community Learning Centers	84.287	17,411
State Grants for Innovative Programs	84.298	7,690
Education Technology State Grants	84.318	9,249
Teacher Quality Enhancement Grants	84.336	320
Rural Education	84.358	74,366
Improving Teacher Quality State Grants	84.367	257,492
Grants for State Assessments and Related Activities	84.369	150
Hurricane Education Recovery	84.938	121,670
Special Education Cluster:		
Special Education - Grants to States	84.027	858,776
Special Education - Preschool Grants	84.173	27,477
Total Special Education Cluster		<u>886,253</u>
Total passed-through the MDE		<u>2,369,929</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>2,369,929</u>
U. S. DEPARTMENT OF HOMELAND SECURITY		
Passed-through Mississippi Emergency Management Agency:		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	73,594
Total Other Federal Assistance		<u>73,594</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$3,946,608</u>

Notes to Schedule

1. This schedule was prepared using the same basis of accounting and significant accounting policies, as applicable, used for the general purpose financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

George County School District

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2008

Schedule 2

Expenditures	Total	Instruction and Other Student Instructional	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 23,639,747	18,179,907	514,218	1,488,647	3,456,975
Other	7,480,918	1,255,316	94,428	14,730	6,116,444
Total	\$ 31,120,665	19,435,223	608,646	1,503,377	9,573,419
Total number of students *	4,191				
Cost per student	\$ 7,426	4,637	145	359	2,284

Instruction and other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000, 2100 & 2200 functional codes)

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); Support Services - Business (2500s)

School Administration - includes expenditures for the following functions: Support Services - School Administration (2400s)

Other - includes all expenditure functions not included in Instruction or Administration categories

includes 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

OTHER SUPPLEMENTAL INFORMATION

GEORGE COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2008	2007*	2006*	2005*
Revenues:				
Local sources	\$ 3,533,088	3,651,295	3,597,532	3,245,703
Intermediate sources	66,167			
State sources	20,598,520	18,609,574	17,214,795	16,017,700
Federal sources	228,528	236,281	209,946	164,919
Total Revenues	<u>24,426,303</u>	<u>22,497,150</u>	<u>21,022,273</u>	<u>19,428,322</u>
Expenditures:				
Instruction	16,032,691	13,699,755	13,216,712	12,215,386
Support services	7,643,976	6,941,857	8,508,730	5,707,955
Noninstructional services	132,713	76,843	94,555	70,453
Facilities acquisition and construction	171,782	467,940		
Debt service:				
Principal	60,060	58,622	164,048	212,914
Interest	8,658	10,095	4,568	14,918
Total Expenditures	<u>24,049,880</u>	<u>21,255,112</u>	<u>21,988,613</u>	<u>18,221,626</u>
Excess (Deficiency) of Revenues over Expenditures	<u>376,423</u>	<u>1,242,038</u>	<u>(966,340)</u>	<u>1,206,696</u>
Other Financing Sources (Uses):				
Proceeds of loans			1,432,390	251,000
Inception of capital leases			248,000	
Insurance loss recoveries	180,790	69,921	2,334,768	8,409
Sale of transportation equipment	17,910	4,513		
Sale of other property			43	
Operating transfers in		49,302	6,447,202	2,560,788
Operating transfers out	(857,093)	(1,388,044)	(8,336,686)	(3,546,973)
Other financing uses				(3,203)
Total Other Financing Sources (Uses)	<u>(658,393)</u>	<u>(1,264,308)</u>	<u>2,125,717</u>	<u>(729,979)</u>
Net Change in Fund Balances	<u>(281,970)</u>	<u>(22,270)</u>	<u>1,159,377</u>	<u>476,717</u>
Fund Balances:				
July 1,	4,577,721	4,258,796	2,869,491	2,582,125
Prior period adjustments		341,195	229,928	(189,351)
July 1, as restated	<u>4,577,721</u>	<u>4,599,991</u>	<u>3,099,419</u>	<u>2,392,774</u>
June 30,	<u>\$ 4,295,751</u>	<u>4,577,721</u>	<u>4,258,796</u>	<u>2,869,491</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

GEORGE COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2008	2007*	2006*	2005*
Revenues:				
Local sources	\$ 5,059,225	5,299,044	4,776,593	4,420,044
Intermediate sources	66,167			
State sources	21,728,317	19,793,328	18,227,271	17,296,463
Federal sources	4,042,349	5,938,240	5,569,609	3,634,796
Sixteenth section sources	164,605	95,668	140,742	528,840
Total Revenues	31,060,663	31,126,280	28,714,215	25,880,143
Expenditures:				
Instruction	18,302,700	17,323,090	16,229,961	14,558,607
Support services	8,840,917	8,695,320	10,343,518	6,626,876
Noninstructional services	2,349,010	2,481,152	2,088,073	1,959,647
Sixteenth section	7,950	29,115	9,056	18,571
Facilities acquisition and construction	288,746	1,089,221	1,122,035	1,425,423
Debt service:				
Principal	950,543	925,955	1,040,048	1,047,914
Interest	379,944	416,786	393,949	430,112
Other	855	849	878	
Total Expenditures	31,120,665	30,961,488	31,227,518	26,067,150
Excess (Deficiency) of Revenues over Expenditures	(60,002)	164,792	(2,513,303)	(187,007)
Other Financing Sources (Uses):				
Proceeds of loans			1,432,390	251,000
Inception of capital leases			248,000	
Insurance loss recoveries	180,790	346,815	2,334,768	8,409
Sale of transportation equipment	17,910	4,513		
Sale of other property			43	
Operating transfers in	1,142,996	1,669,069	8,581,779	5,390,074
Other financing sources				2,421
Operating transfers out	(1,142,996)	(1,669,069)	(8,581,779)	(5,390,074)
Other financing uses				(3,203)
Total Other Financing Sources (Uses)	198,700	351,328	4,015,201	258,627
Net Change in Fund Balances	138,698	516,120	1,501,898	71,620
Fund Balances:				
July 1,	7,946,169	7,061,669	5,493,225	5,464,026
Prior period adjustments	(33,752)	339,301	55,161	(28,482)
July 1, as restated	7,912,417	7,400,970	5,548,386	5,435,544
Increase (Decrease) in reserve for inventory	(1,419)	29,079	11,385	(13,939)
June 30,	\$ 8,049,696	7,946,169	7,061,669	5,493,225

*SOURCE - PRIOR YEAR AUDIT REPORTS

INTERNAL CONTROL AND COMPLIANCE REPORTS

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Superintendent and School Board
George County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the George County School District as of and for the year ended June 30, 2008, which collectively comprise the George County School District's basic financial statements and have issued our report thereon dated January 7, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

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 material misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity'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 school district's financial statements that is more than inconsequential will not be prevented or detected by the school district's internal control.

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 school district's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
January 7, 2009

Certified Public Accountants

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Superintendent and School Board
George County School District

Compliance

We have audited the compliance of the George County School District 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 June 30, 2008. The school district's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district'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 the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school district's compliance with those requirements.

In our opinion, the George County School District 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 June 30, 2008.

Internal Control Over Compliance

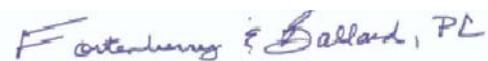
The management of the George County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 school district's internal control over compliance.

A control deficiency in an entity'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 entity'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 entity'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 the 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 the school board and management, others within the entity, entities with accreditation overview, 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.



Fortenberry & Ballard, PC
January 7, 2009

Certified Public Accountants

FORTENBERRY & BALLARD, PC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS

Superintendent and School Board
George County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the George County School District as of and for the year ended June 30, 2008, which collectively comprise George County School District's basic financial statements and have issued our report thereon dated January 7, 2009. 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.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$142,350 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
January 7, 2009

Certified Public Accountants

AICPA & MSCPA

1929 Spillway Road, Suite B, Brandon, MS 39047, Telephone (601) 992-5292

FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW-UP

George County School District

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements: Unqualified.
2. Material noncompliance relating to the financial statements? No.
3. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency identified that is not considered to be material weaknesses? No.

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? No.
6. Any audit findings reported as required by Section ____.510(a) of OMB Circular A-133? No.
7. Federal programs identified as major programs:
 - a. Child Nutrition Cluster
CFDA# 10.553
CFDA# 10.555
 - b. Title I Grants to Local Educational Agencies.
CFDA# 84.010
 - c. Special Education Cluster
CFDA# 84.027
CFDA# 84.173
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. Auditee qualified as a low-risk auditee? No.

10. Prior fiscal year audit findings 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.

Section2: Findings Relating to the Financial Statements

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section 3: Findings and Questioned Costs for Federal Awards

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

George County School District
5152 Main Street
Lucedale, MS 39452
Barbara Massey - Superintendent
Stu White - Business Manager

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by Section ____,315(b) of OMB Circular A-133, the George County School District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2008:

<u>Finding</u>	<u>Status</u>
07-01	Corrected
07-02	Corrected
07-03	Corrected
07-04	Corrected