

GEORGE COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2014

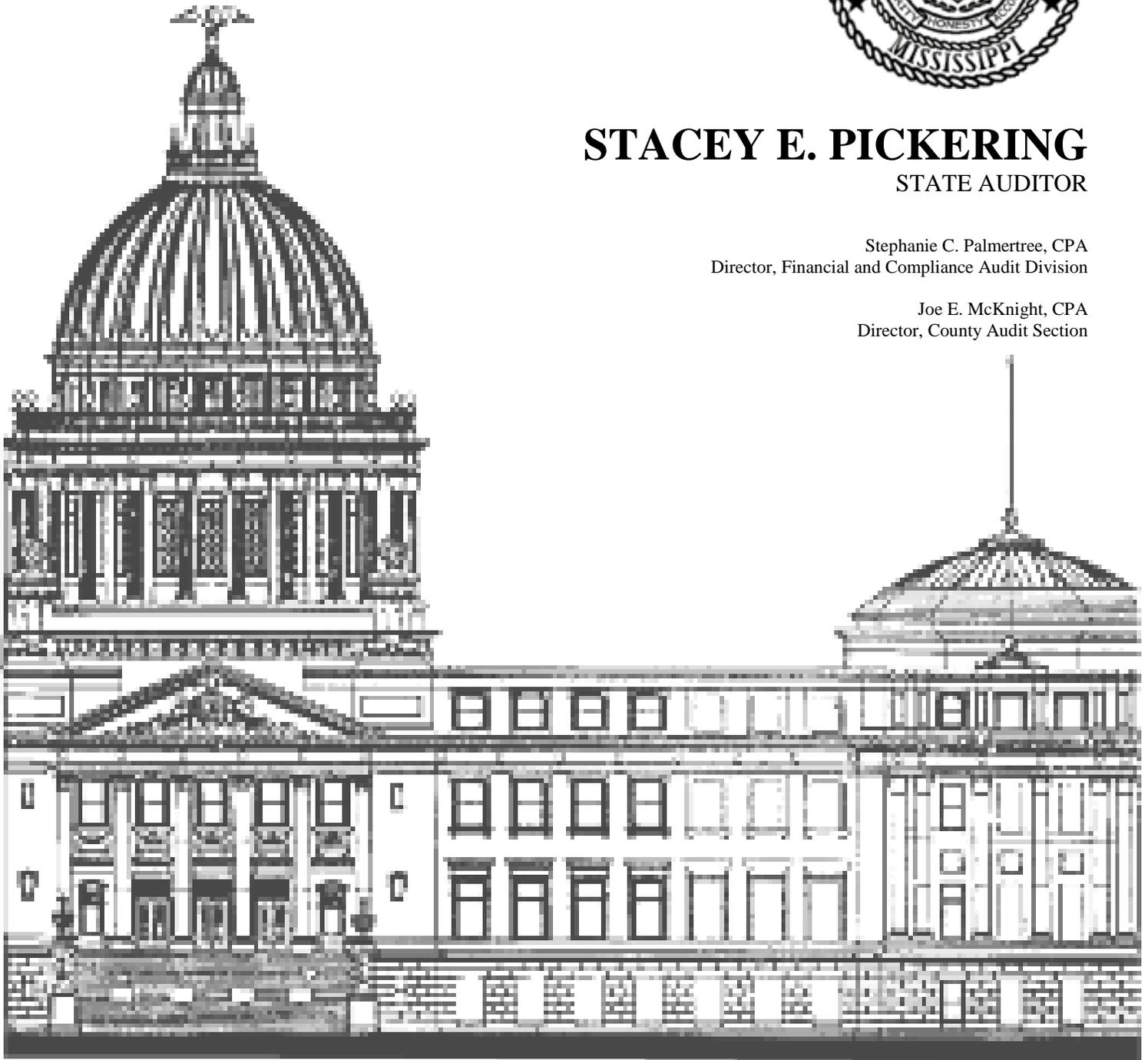


STACEY E. PICKERING

STATE AUDITOR

Stephanie C. Palmertree, CPA
Director, Financial and Compliance Audit Division

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

September 28, 2016

Members of the Board of Supervisors
George County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2014 financial and compliance audit report for George County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

I appreciate the cooperation and courtesy extended by the officials and employees of George County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for George County. If I or this office can be of any further assistance, please contact me or Joe McKnight of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering". The signature is fluid and cursive.

Stacey E. Pickering
State Auditor

GEORGE COUNTY

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GEORGE COUNTY

FINANCIAL SECTION

GEORGE COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
George County, Mississippi

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit

The financial statements do not include financial data for the County's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component unit. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate discretely presented component unit is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component unit of George County, Mississippi, as of September 30, 2014, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of George County, Mississippi, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

George County, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise George County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. The Reconciliation of Operating Costs of Solid Waste has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Reconciliation of Operating Costs of Solid Waste is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2016, on our consideration of George County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering George County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Joe E. Mcknight". The signature is written in a cursive style with a large initial "J" and "M".

JOE E. MCKNIGHT, CPA
Director, County Audit Section

September 28, 2016

GEORGE COUNTY

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GEORGE COUNTY

FINANCIAL STATEMENTS

GEORGE COUNTY

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GEORGE COUNTY
Statement of Net Position
September 30, 2014

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 9,570,797		9,570,797
Restricted assets - cash		2,443,305	2,443,305
Property tax receivable	5,205,550		5,205,550
Accounts receivable (net of allowance for uncollectibles of \$303,617)	266,899		266,899
Fines receivable (net of allowance for uncollectibles of \$1,319,893)	505,115		505,115
Loans receivable (net of allowance for uncollectibles of \$50,000)	358,799		358,799
Intergovernmental receivables	236,199	282,983	519,182
Other receivables	6,010		6,010
Capital assets:			
Land and construction in progress	2,011,971	87,674	2,099,645
Other capital assets, net	54,516,048	5,850,012	60,366,060
Total Assets	<u>72,677,388</u>	<u>8,663,974</u>	<u>81,341,362</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding		85,086	85,086
Total deferred outflows of resources	<u>0</u>	<u>85,086</u>	<u>85,086</u>
LIABILITIES			
Claims payable	192,126	23,745	215,871
Intergovernmental payables	433,542		433,542
Accrued interest payable		31,602	31,602
Unearned revenue	3,732		3,732
Other payables	16,988	130,820	147,808
Long-term liabilities			
Due within one year:			
Capital debt	1,060,610	475,000	1,535,610
Non-capital debt	66,112		66,112
Due in more than one year:			
Capital debt	1,013,396	4,496,716	5,510,112
Non-capital debt	406,174	127,945	534,119
Total Liabilities	<u>3,192,680</u>	<u>5,285,828</u>	<u>8,478,508</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax for future reporting period	5,205,550		5,205,550
Total deferred inflows of resources	<u>5,205,550</u>	<u>0</u>	<u>5,205,550</u>
NET POSITION			
Net investment in capital assets	54,454,013	1,051,056	55,505,069
Restricted for:			
Expendable:			
General government	173,888		173,888
Public safety	1,916,387	2,412,176	4,328,563
Public works	2,891,213		2,891,213
Culture and recreation	140,797		140,797
Economic development and assistance	1,595,830		1,595,830
Unrestricted	3,107,030		3,107,030
Total Net Position	<u>\$ 64,279,158</u>	<u>3,463,232</u>	<u>67,742,390</u>

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

GEORGE COUNTY
Statement of Activities
For the Year Ended September 30, 2014

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,818,693	779,487	102,423		(2,936,783)		(2,936,783)
Public safety	2,613,408	333,036	215,497	7,920	(2,056,955)		(2,056,955)
Public works	4,979,867	677,379	773,173	2,857,447	(671,868)		(671,868)
Health and welfare	237,912		44,700	13,416	(179,796)		(179,796)
Culture and recreation	26,465				(26,465)		(26,465)
Conservation of natural resources	52,351				(52,351)		(52,351)
Economic development and assistance	90,081		66,766		(23,315)		(23,315)
Interest on long-term debt	27,980				(27,980)		(27,980)
Total Governmental Activities	<u>11,846,757</u>	<u>1,789,902</u>	<u>1,202,559</u>	<u>2,878,783</u>	<u>(5,975,513)</u>		<u>(5,975,513)</u>
Business-type activities:							
Regional Jail Fund	3,628,799	<u>3,697,076</u>	<u>47,300</u>			<u>115,577</u>	<u>115,577</u>
Total Business-type Activities	3,628,799	<u>3,697,076</u>	<u>47,300</u>	<u>0</u>		<u>115,577</u>	<u>115,577</u>
Total Primary Government	\$ <u>15,475,556</u>	<u>5,486,978</u>	<u>1,249,859</u>	<u>2,878,783</u>	<u>(5,975,513)</u>	<u>115,577</u>	<u>(5,859,936)</u>
General revenues:							
Property taxes					\$ 7,365,874		7,365,874
Road & bridge privilege taxes					278,150		278,150
Grants and contributions not restricted to specific programs					327,407		327,407
Unrestricted interest income					67,866	7,087	74,953
Miscellaneous					616,970	53,517	670,487
Total General Revenues					<u>8,656,267</u>	<u>60,604</u>	<u>8,716,871</u>
Changes in Net Position					<u>2,680,754</u>	<u>176,181</u>	<u>2,856,935</u>
Net Position - Beginning, as previously reported					61,598,404	3,430,403	65,028,807
Prior period adjustment						(143,352)	(143,352)
Net Position - Beginning, as restated					<u>61,598,404</u>	<u>3,287,051</u>	<u>64,885,455</u>
Net Position - Ending					\$ <u>64,279,158</u>	<u>3,463,232</u>	<u>67,742,390</u>

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

GEORGE COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2014

Exhibit 3

	Major Funds					
	General Fund	Garbage & Solid Waste Fund	District 1 Road Construction and Maintenance Fund	District 4 Road Construction and Maintenance Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 3,222,812	1,512,240	171,020	60,010	4,604,715	9,570,797
Property tax receivable	2,582,450	322,650	330,600	330,600	1,639,250	5,205,550
Accounts receivable (net of allowance for uncollectibles of \$303,617)		266,899				266,899
Fines receivable (net of allowance for uncollectibles of \$1,319,893)	505,115					505,115
Loans receivable (net of allowance for uncollectibles of \$50,000)					358,799	358,799
Intergovernmental receivables	186,770		3,863	3,863	41,703	236,199
Other receivables	6,010					6,010
Due from other funds	4,186	8,542	11,676	11,675	58,651	94,730
Total Assets	\$ 6,507,343	2,110,331	517,159	406,148	6,703,118	16,244,099
LIABILITIES						
Liabilities:						
Claims payable	\$ 67,216	22,860	15,897	17,106	69,047	192,126
Intergovernmental payables	270,698					270,698
Due to other funds	257,574					257,574
Unearned revenue		3,732				3,732
Other payables	16,988					16,988
Total Liabilities	612,476	26,592	15,897	17,106	69,047	741,118
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - property taxes	2,582,450	322,650	330,600	330,600	1,639,250	5,205,550
Unavailable revenue - accounts receivable		266,899				266,899
Unavailable revenue - fines	505,115					505,115
Total deferred inflows of resources	3,087,565	589,549	330,600	330,600	1,639,250	5,977,564

GEORGE COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2014

Exhibit 3 - cont'd

	<u>Major Funds</u>					<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Garbage & Solid Waste Fund</u>	<u>District 1 Road Construction and Maintenance Fund</u>	<u>District 4 Road Construction and Maintenance Fund</u>	<u>Other Governmental Funds</u>	
Fund balances:						
Restricted for:						
General government					173,888	173,888
Public safety					1,916,387	1,916,387
Public works		1,494,190	170,662	58,442	1,167,919	2,891,213
Culture and recreation					140,797	140,797
Economic development and assistance					1,595,830	1,595,830
Unassigned	2,807,302					2,807,302
Total Fund Balances	<u>2,807,302</u>	<u>1,494,190</u>	<u>170,662</u>	<u>58,442</u>	<u>4,994,821</u>	<u>9,525,417</u>
Total Liabilities and Fund Balances	<u>\$ 6,507,343</u>	<u>2,110,331</u>	<u>517,159</u>	<u>406,148</u>	<u>6,703,118</u>	<u>16,244,099</u>

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

GEORGE COUNTY

Exhibit 3-1

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2014

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 9,525,417
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$78,877,354.	56,528,019
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	772,014
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,546,292)</u>
Total Net Position - Governmental Activities	\$ <u><u>64,279,158</u></u>

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

GEORGE COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2014

	Major Funds					Total Governmental Funds
	General Fund	Garbage & Solid Waste Fund	District 1 Road Construction and Maintenance Fund	District 4 Road Construction and Maintenance Fund	Other Governmental Funds	
REVENUES						
Property taxes	\$ 3,876,522	437,357	437,331	437,331	2,177,333	7,365,874
Road and bridge privilege taxes			41,736	41,736	194,678	278,150
Licenses, commissions and other revenue	382,516				20,119	402,635
Fines and forfeitures	527,722				12,296	540,018
Intergovernmental revenues	583,203	2,166	1,282,126	1,520,280	1,020,974	4,408,749
Charges for services	256,490	642,606			14,154	913,250
Interest income	21,149	9,331	1,697	1,883	33,806	67,866
Miscellaneous revenues	234,159	9,587	5,660	14,547	112,492	376,445
Total Revenues	5,881,761	1,101,047	1,768,550	2,015,777	3,585,852	14,352,987
EXPENDITURES						
Current:						
General government	3,151,767				552,683	3,704,450
Public safety	2,240,836				293,465	2,534,301
Public works		786,346	2,034,234	2,499,035	3,471,483	8,791,098
Health and welfare	237,912					237,912
Culture and recreation	22,184					22,184
Conservation of natural resources	51,516					51,516
Economic development and assistance	78,238				11,444	89,682
Debt service:						
Principal	19,218		229,589	191,232	715,301	1,155,340
Interest	2,287		5,765	7,096	12,832	27,980
Total Expenditures	5,803,958	786,346	2,269,588	2,697,363	5,057,208	16,614,463
Excess of Revenues over (under) Expenditures	77,803	314,701	(501,038)	(681,586)	(1,471,356)	(2,261,476)

GEORGE COUNTY

Exhibit 4 - Cont'd

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2014

	Major Funds					Total Governmental Funds
	General Fund	Garbage & Solid Waste Fund	District 1 Road Construction and Maintenance Fund	District 4 Road Construction and Maintenance Fund	Other Governmental Funds	
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued			197,100	137,200	305,001	639,301
Proceeds from sale of capital assets	40,799		208,500	167,300	424,800	841,399
Compensation for loss of capital assets	58,979				83,705	142,684
Transfers in	158,449		100,000	100,000	424,362	782,811
Transfers out	(537,000)				(245,811)	(782,811)
Total Other Financing Sources and Uses	<u>(278,773)</u>	<u>0</u>	<u>505,600</u>	<u>404,500</u>	<u>992,057</u>	<u>1,623,384</u>
Net Changes in Fund Balances	(200,970)	314,701	4,562	(277,086)	(479,299)	(638,092)
Fund Balances - Beginning	<u>3,008,272</u>	<u>1,179,489</u>	<u>166,100</u>	<u>335,528</u>	<u>5,474,120</u>	<u>10,163,509</u>
Fund Balances - Ending	<u>\$ 2,807,302</u>	<u>1,494,190</u>	<u>170,662</u>	<u>58,442</u>	<u>4,994,821</u>	<u>9,525,417</u>

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

GEORGE COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2014

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (638,092)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$5,151,110 exceeded depreciation of \$1,537,816 in the current period.	3,613,294
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$240,525 and the proceeds from the sale of \$841,399 and compensation for loss of capital assets of \$142,684 in the current period.	(743,558)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(100,774)
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	34,773
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$1,155,340 exceeded debt proceeds of \$639,301.	516,039
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by an increase in compensated absences payable.	<u>(928)</u>
Change in Net Position of Governmental Activities	<u>\$ 2,680,754</u>

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

GEORGE COUNTY
Statement of Net Position - Proprietary Fund
September 30, 2014

Exhibit 5

	Business-type Activities - <u>Enterprise Fund</u> Regional Jail <u>Fund</u>
ASSETS	
Current assets:	
Restricted assets - cash	\$ 2,443,305
Intergovernmental receivables	282,983
Total Current Assets	<u>2,726,288</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	87,674
Other capital assets, net	5,850,012
Total Noncurrent Assets	<u>5,937,686</u>
Total Assets	<u>8,663,974</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on refunding	85,086
Total Deferred Outflows of Resources	<u>85,086</u>
LIABILITIES	
Current liabilities:	
Claims payable	23,745
Accrued interest payable	31,602
Other payables	130,820
Other long-term liabilities	475,000
Total Current Liabilities	<u>661,167</u>
Noncurrent liabilities:	
Capital debt:	
Other long-term liabilities	4,496,716
Non-capital debt:	
Compensated absences payable	127,945
Total Noncurrent Liabilities	<u>4,624,661</u>
Total Liabilities	<u>5,285,828</u>
NET POSITION	
Net investment in capital assets	1,051,056
Restricted for:	
Public safety	2,412,176
Total Net Position	<u>\$ 3,463,232</u>

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

GEORGE COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2014

	Business-type Activities Enterprise Fund <u>Regional Jail Fund</u>
Operating Revenues	
Charges for services	\$ 3,697,076
Miscellaneous	53,517
Total Operating Revenues	<u>3,750,593</u>
Operating Expenses	
Personal services	2,199,261
Contractual services	457,269
Materials and supplies	557,813
Depreciation expense	164,470
Total Operating Expenses	<u>3,378,813</u>
Operating Income (Loss)	<u>371,780</u>
Nonoperating Revenues (Expenses)	
Interest income	7,087
Intergovernmental grants	47,300
Gain (loss) on sale of capital assets	(1,000)
Interest expense	(248,986)
Net Nonoperating Revenue (Expenses)	<u>(195,599)</u>
Changes in Net Position	<u>176,181</u>
Net Position - Beginning as previously reported	3,430,403
Prior period adjustment	(143,352)
Net Position - Beginning, as restated	<u>3,287,051</u>
Net Position - Ending	<u>\$ 3,463,232</u>

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

GEORGE COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2014

Exhibit 7

	Business-type Activities-Enterprise Fund <u>Regional Jail Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 3,702,628
Payments to suppliers	(903,222)
Payments to employees	(2,199,661)
Other operating cash receipts	53,517
Net Cash Provided (Used) by Operating Activities	<u>653,262</u>
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	47,300
Net Cash Provided (Used) by Noncapital Financing Activities	<u>47,300</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(8,849)
Principal paid on long-term debt	(455,000)
Interest paid on debt	(238,997)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(702,846)</u>
Cash Flows From Investing Activities	
Interest on deposits	7,087
Net Cash Provided (Used) by Investing Activities	<u>7,087</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,803
Cash and Cash Equivalents at Beginning of Year	<u>2,438,502</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>2,443,305</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>371,780</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	164,470
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivables	5,552
Increase (decrease) in claims payable	(18,960)
Increase (decrease) in other payables	130,820
Increase (decrease) in compensated absences liability	(400)
Total Adjustments	<u>281,482</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>653,262</u></u>

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

GEORGE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2014

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 301,777
Due from other funds	<u>167,030</u>
Total Assets	<u><u>\$ 468,807</u></u>
LIABILITIES	
Due to other funds	\$ 4,186
Intergovernmental payables	<u>464,621</u>
Total Liabilities	<u><u>\$ 468,807</u></u>

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

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

Management has chosen to omit from these financial statements the following component unit which has significant operational or financial relationship with the County. Accordingly, the financial statements do not include the data of this component unit necessary for reporting in accordance with accounting principles generally accepted in the United States of America.

- George Regional Hospital

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

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

B. Individual Component Unit Disclosures.

Blended Component Unit

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

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

C. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

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

Fund Financial Statements:

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

D. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

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

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Garbage and Solid Waste Fund – This fund is used to account for the County’s activities of disposal of solid waste within the County.

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

District 4 Road Construction and Maintenance Fund – This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

The County reports the following major Enterprise Fund:

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

F. Deposits.

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

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

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

G. Receivables.

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

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

I. Restricted Assets.

Proprietary Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first. Certain proceeds of the County's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "revenue fund" is used to account for all revenues of the correctional facility and to provide payment for operating and maintenance expenses as well as required monthly deposits to other accounts to meet minimum requirements of the trust agreement. The "depreciation and operating reserve" fund is used to pay the cost of major repairs and replacements to the correctional facility the costs of which are such that they should be spread over a number of years rather than charged as a current expense in a single year. The "general" account is used to accumulate funds to pay the principal and interest payments due on the County's enterprise fund revenue bonds. The "debt service reserve" account is used to report resources set aside to subsidize potential deficiencies from the County's operating that could adversely affect debt service payments. The "regional jail construction" fund is used to pay the costs of major repairs and replacements to the correctional facility as well as to pay operating and maintenance expense when other funds are insufficient to pay these expenses within established limitations.

J. Capital Assets.

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

The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. George County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

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

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

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

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

K. Deferred Outflows/Inflows of Resources.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred amount on refunding – For current refunding's and advance refunding's resulting in defeasance of debt reported by governmental activities, business type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Property tax for future reporting period/unavailable revenue – property taxes – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Unavailable revenue – fines – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

Unavailable revenue – accounts receivable – When an asset is recorded in the governmental fund financial statements but the revenue is not available; the government should report a deferred inflow of resources until such time as the revenue becomes available.

L. Long-term Liabilities.

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

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

M. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

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

Unrestricted net position - All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County’s general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Fund Balance Flow Assumption:

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

N. Property Tax Revenues.

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

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

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

O. Intergovernmental Revenues in Governmental Funds.

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

P. Compensated Absences.

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

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

Q. Changes in Accounting Standards

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. The provisions of these standards have been incorporated into the financial statements and notes.

(1) Prior Period Adjustment.

A summary of the significant fund equity adjustment is as follows:

Exhibit 2 – Statement of Activities – Business-type Activities.

<u>Explanation</u>	<u>Amount</u>
Implementation of GASB 65, <i>Items Previously Reported as Assets and Liabilities</i>	\$ <u><u>(143,352)</u></u>

Exhibit 6 – Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund

<u>Explanation</u>	<u>Amount</u>
Implementation of GASB 65, <i>Items Previously Reported as Assets and Liabilities</i>	\$ <u><u>(143,352)</u></u>

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2014, was \$12,315,879, and the bank balance was \$13,128,542. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2014:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Funds	\$ 4,186
Garbage & Solid Waste Fund	General Fund	8,542
District 1 Road Maintenance and Construction Fund	General Fund	11,676
District 4 Road Maintenance and Construction Fund	General Fund	11,675
Other Governmental Funds	General Fund	58,651
Agency Funds	General Fund	<u>167,030</u>
Total		<u>\$ 261,760</u>

The receivables represent the tax revenue collected in September 2014, but not settled until October, 2014, and an error in posting revenue during the year. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 158,449
District 1 Road Maintenance and Construction	General Fund	100,000
District 4 Road Maintenance and Construction	General Fund	100,000
Other Governmental Funds	Other Governmental Funds	87,362
Other Governmental Funds	General Fund	<u>337,000</u>
Total		<u>\$ 782,811</u>

All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2014, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 137,536
Mississippi Department of Corrections housing	6,280
Welfare/Food stamps	13,743
Privilege taxes	17,251
Reimbursement storm shelter	20,820
Emergency Management Performance grant	1,112
Gasoline taxes	15,779
Alcohol open container requirements	4,993
State aid	<u>18,685</u>
Total Governmental Activities	<u>\$ 236,199</u>

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

Description	Amount
Business-type Activities:	
Mississippi Department of Corrections – Lucedale – inmate housing	\$ 237,612
City of Lucedale – inmate housing	9,820
George County – inmate housing	29,263
Greene County – inmate housing	1,988
Wexford Health – nursing reimbursement	4,300
Total Business-type Activities	\$ 282,983

(5) Loans Receivable.

Loans receivable balances at September 30, 2014, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
George County Hospital *	10/26/1992	0.00%	Unknown	\$ 50,000
Freight rail service loan	10/6/2003	1.00%	3/1/2020	358,799
Total				408,799
Less: Allowance for doubtful accounts				(50,000)
Total, Net of allowance for doubtful accounts				\$ 358,799

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

(6) Restricted Assets.

The balances of the restricted asset accounts in the enterprise funds are as follows:

Revenue fund	\$ 1,236,336
General account	204,357
Debt service reserve fund	408,171
Debt service reserve fund II	130,923
Depreciation and operating reserve fund	175,344
Regional jail construction fund	288,174
Total restricted assets	\$ 2,443,305

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2014:

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

Governmental activities:

	Balance <u>Oct. 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments*</u>	Balance <u>Sept. 30, 2014</u>
Non-depreciable capital assets:					
Land	\$ 2,016,485		4,514		2,011,971
Construction in progress	<u>3,355,179</u>			<u>(3,355,179)</u>	<u>0</u>
Total non-depreciable capital assets	<u>5,371,664</u>	<u>0</u>	<u>4,514</u>	<u>(3,355,179)</u>	<u>2,011,971</u>
Depreciable capital assets:					
Infrastructure	105,687,709	4,044,188			109,731,897
Buildings	6,866,539			3,355,179	10,221,718
Improvements other than buildings	147,308				147,308
Mobile equipment	10,432,207	427,330	299,279	369,821	10,930,079
Furniture and equipment	743,878	40,291	6,008		778,161
Leased property under capital leases	<u>2,062,199</u>	<u>639,301</u>	<u>747,440</u>	<u>(369,821)</u>	<u>1,584,239</u>
Total depreciable capital assets	<u>125,939,840</u>	<u>5,151,110</u>	<u>1,052,727</u>	<u>3,355,179</u>	<u>133,393,402</u>
Less accumulated depreciation for:					
Infrastructure	66,599,010	634,595			67,233,605
Buildings	1,656,632	187,230			1,843,862
Improvements other than buildings	26,751	5,895			32,646
Mobile equipment	8,221,072	425,355	125,874	210,767	8,731,320
Furniture and equipment	580,426	39,091	5,407		614,110
Leased property under capital leases	<u>569,330</u>	<u>245,650</u>	<u>182,402</u>	<u>(210,767)</u>	<u>421,811</u>
Total accumulated depreciation	<u>77,653,221</u>	<u>1,537,816</u>	<u>313,683</u>	<u>0</u>	<u>78,877,354</u>
Total depreciable capital assets, net	<u>48,286,619</u>	<u>3,613,294</u>	<u>739,044</u>	<u>3,355,179</u>	<u>54,516,048</u>
Governmental activities capital assets, net	<u>\$ 53,658,283</u>	<u>3,613,294</u>	<u>743,558</u>	<u>0</u>	<u>56,528,019</u>

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

Business-type activities:

	Balance <u>Oct. 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	Balance <u>Sept. 30, 2014</u>
Non-depreciable capital assets:					
Land	\$ 87,674				87,674
Total non-depreciable capital assets	<u>87,674</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>87,674</u>
Depreciable capital assets:					
Buildings	7,415,772				7,415,772
Improvements other than buildings	130,000				130,000
Mobile equipment	75,996				75,996
Furniture and equipment	140,250	8,849	10,000		139,099
Total depreciable capital assets	<u>7,762,018</u>	<u>8,849</u>	<u>10,000</u>	<u>0</u>	<u>7,760,867</u>
Less accumulated depreciation for:					
Buildings	1,572,049	148,319			1,720,368
Improvements other than buildings	20,800	5,200			26,000
Mobile equipment	68,396				68,396
Furniture and equipment	94,140	10,951	9,000		96,091
Total accumulated depreciation	<u>1,755,385</u>	<u>164,470</u>	<u>9,000</u>	<u>0</u>	<u>1,910,855</u>
Total depreciable capital assets, net	<u>6,006,633</u>	<u>(155,621)</u>	<u>1,000</u>	<u>0</u>	<u>5,850,012</u>
Business-type activities capital assets, net	<u>\$ 6,094,307</u>	<u>(155,621)</u>	<u>1,000</u>	<u>0</u>	<u>5,937,686</u>

*Adjustments to capital assets were due to the reclassification of assets class.

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 200,807
Public safety	203,119
Public works	1,128,774
Culture and recreation	4,281
Conservation of natural resources	<u>835</u>
Total governmental activities depreciation expense	<u>\$ 1,537,816</u>
Business-type activities:	
Correctional facility	<u>\$ 164,470</u>

(8) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2014, to January 1, 2015. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2014:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,584,239
Less: Accumulated depreciation	<u>(421,811)</u>
Leased Property Under Capital Leases	<u>\$ 1,162,428</u>

The following is a schedule by years of the total payments due as of September 30, 2014:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 792,305	16,270
2016	175,054	2,467
2017	7,277	395
2018	7,430	242
2019	<u>7,586</u>	<u>85</u>
Total	<u>\$ 989,652</u>	<u>19,459</u>

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

(10) Long-term Debt.

Debt outstanding as of September 30, 2014, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. Capital Leases:			
2013 Dodge Ram	\$ 14,103	1.83%	7/15/2016
District 1 (2) 2008 Mack Dump Trucks	24,805	3.04%	6/25/2015
District 3 2008 Mack Dump Truck	15,058	3.04%	8/15/2015
District 4 Caterpillar Motor Grader	167,932	2.11%	4/1/2016
District 4 2013 Freightliner Dump Truck	40,966	2.09%	1/20/2016
District 1 Caterpillar Backhoe	62,348	1.81%	8/1/2015
District 4 Caterpillar Backhoe	25,139	1.52%	6/1/2015
District 1 (3) John Deere Tractors	197,100	1.53%	7/16/2015
District 2 (2) John Deere Tractors	137,200	1.53%	7/16/2015
District 3 (2) John Deere Tractors	131,400	1.53%	7/16/2015
District 4 (2) John Deere Tractors	137,200	1.53%	7/16/2015
District 3 Ford F-450	<u>36,401</u>	2.08%	9/18/2019
Total Capital Leases	<u>\$ 989,652</u>		
B. Other Loans:			
Multi-Purpose Building Loan	\$ 57,954	3.00%	7/1/2019
Freight Rail Service Revolving MDA Loan	369,563	1.00%	3/1/2020
Singing River Loan #1 (Land)	800,000	0.00%	6/1/2018
Singing River Loan #2 (Land)	<u>226,400</u>	1.00%	8/8/2018
Total Other Loans	<u>\$ 1,453,917</u>		
Business-type Activities:			
A. General Obligation Bonds:			
General Obligation Bonds, Series 2008	<u>\$ 1,970,000</u>	4.00-5.50%	12/1/2028
B. Limited Obligation Bonds:			
Urban Renewal Revenue Refunding Bond, Series 2011	<u>\$ 2,990,000</u>	2.50-4.25%	4/1/2021

Pledge of Future Revenues - The County has pledged future revenues for housing inmates, net of specified operating expenses, to repay \$4,065,000 in limited obligation urban renewal revenue bonds issued in March 24, 2011. Proceeds from the bonds provided financing for the construction of the George County Regional Correctional Facility. The bonds are not a general obligation of the County and, therefore, are not secured by the full faith and credit of the County. The bonds are payable solely from income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners and are payable through First National Bank of Clarksdale.

Annual principal and interest payments on the bonds are expected to require less than 13.27% percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$3,478,188. Principal and interest paid for the current year and total inmate housing net revenues were \$490,731 and \$3,697,076, respectively.

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

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

Governmental Activities:

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 334,417	6,104
2016	335,438	5,660
2017	336,468	5,206
2018	337,536	4,739
2019	77,764	782
2020 – 2024	32,294	72
Total	\$ <u>1,453,917</u>	<u>22,563</u>

Business-type Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 95,000	87,363	380,000	111,481
2016	95,000	82,494	400,000	100,081
2017	100,000	77,619	410,000	88,081
2018	105,000	72,494	430,000	73,731
2019	110,000	67,119	445,000	56,533
2020 – 2024	645,000	256,817	925,000	58,281
2025 – 2029	820,000	95,622		
Total	\$ <u>1,970,000</u>	<u>739,528</u>	<u>2,990,000</u>	<u>488,188</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2014, the amount of outstanding debt was equal to 3.08% of the latest property assessments.

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2014:

	Balance Oct. 1, 2013	Additions	Reductions	Adjustments	Balance Sept. 30, 2014	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 101,795	5,662	4,734		102,723	
Capital leases	1,172,278	639,301	821,927		989,652	792,305
Other loans	<u>1,787,330</u>		<u>333,413</u>		<u>1,453,917</u>	<u>334,417</u>
Total	\$ <u>3,061,403</u>	<u>644,963</u>	<u>1,160,074</u>	<u>0</u>	<u>2,546,292</u>	<u>1,126,722</u>
Business-type Activities:						
Compensated absences	\$ 128,345		400		127,945	
General obligation bonds	2,055,000		85,000		1,970,000	95,000
Limited obligation bonds	3,360,000		370,000		2,990,000	380,000
Add:						
Premiums	<u>13,636</u>		<u>1,920</u>		<u>11,716</u>	
Total	\$ <u>5,556,981</u>	<u>0</u>	<u>457,320</u>	<u>0</u>	<u>5,099,661</u>	<u>475,000</u>

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road Construction & Maintenance Fund, Solid Waste Fund, and for Business-type activities the Regional Jail Fund.

(11) Contingencies.

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

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

Hospital Revenue and Limited Tax Notes, Series 2012 Contingencies - The County issued limited tax notes to provide funds for constructing, reconstructing, improving, equipping, furnishing, bettering, and expanding of George Regional Hospital, refunding the Series 2008 Notes, and paying the cost of issuance of such obligations and of the aforesaid refunding. The limited tax notes are reported as the liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the County remains contingently liable for the retirement of these notes because the full faith, credit and taxing power of the County is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue notes outstanding at September 30, 2014 is \$3,492,089.

(12) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Region 14 Singing River Mental Health/Mental Retardation Center operates in a district composed of Counties of George and Jackson. The George County Board of Supervisors appoints one of the two members of the board of commissioners. The County appropriated \$53,000 for support of the center in the fiscal year 2014.

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone, and Wayne. The George County Board of Supervisors appoints one of the 27 members of the board of directors. The County appropriated \$33,000 for support of the district in fiscal year 2014.

Mississippi Gulf Coast Community College operates in a district composed of the Counties of George, Harrison, Jackson, and Stone. The college's board of trustees is composed of 23 members; three each appointed by George and Stone Counties, eight each appointed by Harrison and Jackson Counties, and one appointed at large. The County appropriated \$597,578 for maintenance and support of the college in fiscal year 2014.

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

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

Regional Railroad Authority of East Mississippi was created in September 2009, jointly with George County, Clarke County, Greene County, Jackson County, Lauderdale County, and Wayne County to compliment and support the existing railroads presently operating in East Mississippi. Each County appoints five commissioners to the Board of Commissioners of the Authority. Additionally, each municipality in any of these Counties through which a railroad runs shall appoint one commissioner. The Counties generally provided no support to the Authority in 2014.

(13) Defined Benefit Pension Plan.

Plan Description. George County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2014, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2014, 2013 and 2012 were \$684,222, \$648,118, and \$539,453, respectively, equal to the required contributions for each year.

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

(14) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of George County evaluated the activity of the County through September 28, 2016, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2014, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/9/2014	2.00%	\$ 250,000	Negotiable notes	Ad valorem taxes
12/22/2014	2.14%	119,800	Capital lease	Ad valorem taxes
8/17/2015	1.94%	50,000	Capital lease	Ad valorem taxes
8/27/2015	1.39%	206,100	Capital lease	Ad valorem taxes
8/27/2015	1.39%	143,000	Capital lease	Ad valorem taxes
8/27/2015	1.39%	143,000	Capital lease	Ad valorem taxes
10/26/2015	4.00%	8,120,000	Bond proceeds	Ad valorem taxes
10/26/2015	1.75%	88,000	Bond proceeds	Ad valorem taxes

GEORGE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

GEORGE COUNTY

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GEORGE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2014
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,669,800	3,869,920	3,869,920	
Licenses, commissions and other revenue	386,500	388,453	388,453	
Fines and forfeitures	568,500	501,661	501,661	
Intergovernmental revenues	444,000	694,540	694,540	
Charges for services	285,000	285,928	285,928	
Interest income	20,700	17,955	17,955	
Miscellaneous revenues	40,500	125,321	125,321	
Total Revenues	<u>5,415,000</u>	<u>5,883,778</u>	<u>5,883,778</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	4,551,600	2,980,103	2,980,103	
Public safety	2,107,000	2,107,549	2,107,549	
Health and welfare	254,000	252,955	252,955	
Culture and recreation	47,900	25,027	25,027	
Conservation of natural resources	54,500	50,852	50,852	
Economic development and assistance	95,000	78,989	78,989	
Debt service:				
Principal		19,218	19,218	
Interest		2,287	2,287	
Total Expenditures	<u>7,110,000</u>	<u>5,516,980</u>	<u>5,516,980</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(1,695,000)</u>	<u>366,798</u>	<u>366,798</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	20,000	46,844	46,844	
Compensation for loss of capital assets	5,000	72,306	72,306	
Transfers in		182,619	182,619	
Transfers out	(660,000)	(537,000)	(537,000)	
Total Other Financing Sources and Uses	<u>(635,000)</u>	<u>(235,231)</u>	<u>(235,231)</u>	<u>0</u>
Net Change in Fund Balance	(2,330,000)	131,567	131,567	0
Fund Balances - Beginning	<u>2,330,000</u>	<u>2,368,565</u>	<u>2,368,565</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>2,500,132</u>	<u>2,500,132</u>	<u>0</u>

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

GEORGE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Garbage and Solid Waste Fund
 For the Year Ended September 30, 2014
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 428,100	436,986	436,986	
Intergovernmental revenues	1,700	2,166	2,166	
Charges for services	530,000	595,000	595,000	
Interest income	6,000	9,331	9,331	
Miscellaneous revenues	200	46	46	
Total Revenues	<u>966,000</u>	<u>1,043,529</u>	<u>1,043,529</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	1,966,000	765,656	765,656	
Total Expenditures	<u>1,966,000</u>	<u>765,656</u>	<u>765,656</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(1,000,000)</u>	<u>277,873</u>	<u>277,873</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		9,541	9,541	
Total Other Financing Sources and Uses	<u>0</u>	<u>9,541</u>	<u>9,541</u>	<u>0</u>
Net Change in Fund Balance	(1,000,000)	287,414	287,414	0
Fund Balances - Beginning	<u>1,000,000</u>	<u>1,173,487</u>	<u>1,173,487</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>1,460,901</u>	<u>1,460,901</u>	<u>0</u>

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

GEORGE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 District 1 Road Construction & Maintenance Fund
 For the Year Ended September 30, 2014
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 429,100	436,917	436,917	
Road and bridge privilege taxes	43,500	41,718	41,718	
Intergovernmental revenues	100,850	97,652	97,652	
Interest income	1,500	1,697	1,697	
Miscellaneous revenues	50	131	131	
Total Revenues	<u>575,000</u>	<u>578,115</u>	<u>578,115</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	526,500	643,084	643,084	
Debt service:				
Principal	41,500	229,589	229,589	
Interest	3,000	5,765	5,765	
Total Expenditures	<u>571,000</u>	<u>878,438</u>	<u>878,438</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>4,000</u>	<u>(300,323)</u>	<u>(300,323)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		208,500	208,500	
Transfers in		105,529	105,529	
Transfers out	(4,000)			
Total Other Financing Sources and Uses	<u>(4,000)</u>	<u>314,029</u>	<u>314,029</u>	<u>0</u>
Net Change in Fund Balance	0	13,706	13,706	0
Fund Balances - Beginning		<u>157,314</u>	<u>157,314</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>171,020</u>	<u>171,020</u>	<u>0</u>

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

GEORGE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 District 4 Road Construction & Maintenance
 For the Year Ended September 30, 2014
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 429,100	436,917	436,917	
Road and bridge privilege taxes	43,500	41,718	41,718	
Intergovernmental revenues	100,850	97,653	97,653	
Interest income	1,500	1,883	1,883	
Miscellaneous revenues	50	10,286	10,286	
Total Revenues	<u>575,000</u>	<u>588,457</u>	<u>588,457</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	460,500	943,411	943,411	
Debt service:				
Principal	104,500	191,232	191,232	
Interest	6,000	7,096	7,096	
Total Expenditures	<u>571,000</u>	<u>1,141,739</u>	<u>1,141,739</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>4,000</u>	<u>(553,282)</u>	<u>(553,282)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		167,300	167,300	
Transfers in		104,261	104,261	
Transfers out	(4,000)			
Total Other Financing Sources and Uses	<u>(4,000)</u>	<u>271,561</u>	<u>271,561</u>	<u>0</u>
Net Change in Fund Balance	0	(281,721)	(281,721)	0
Fund Balances - Beginning		<u>341,731</u>	<u>341,731</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>60,010</u>	<u>60,010</u>	<u>0</u>

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

GEORGE COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2014
UNAUDITED

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types			
	General Fund	Garbage & Solid Waste Fund	District 1 Road Const. & Maint. Fund	District 4 Road Const. & Maint. Fund
Budget (Cash Basis)	\$ 131,567	287,414	13,706	(281,721)
Increase (Decrease)				
Net adjustments for revenue accruals	(45,559)	47,977	1,382,006	1,560,259
Net adjustments for expenditure accruals	<u>(286,978)</u>	<u>(20,690)</u>	<u>(1,391,150)</u>	<u>(1,555,624)</u>
GAAP Basis	\$ <u><u>(200,970)</u></u>	<u><u>314,701</u></u>	<u><u>4,562</u></u>	<u><u>(277,086)</u></u>

GEORGE COUNTY

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GEORGE COUNTY

SUPPLEMENTAL INFORMATION

GEORGE COUNTY

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GEORGE COUNTY
 Reconciliation of Operating Costs of Solid Waste
 For the Year Ended September 30, 2014

Operating Expenditures, Cash Basis:

Salaries	\$	343,426
Expendable Commodities:		
Gasoline and petroleum products		115,741
Repair parts		84,954
Office, field and shop supplies		9,843
Tires		27,450
Food for prisoners		11,717
Professional fees, legal advertising and other fees		161,318
Postage and box rent		7,230
Telephone and utilities		<u>3,980</u>
Solid Waste Cash Basis Operating Expenditures		765,659
Full Cost Expenses:		
Indirect administrative costs		52,923
Depreciation on equipment		<u>52,331</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>870,913</u></u>

GEORGE COUNTY

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GEORGE COUNTY

OTHER INFORMATION

GEORGE COUNTY

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GEORGE COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2014
UNAUDITED

Name	Position	Company	Bond
Fred Croom	Supervisor District 1	Western Surety Company	\$100,000
Kelly Wright	Supervisor District 2	Western Surety Company	\$100,000
Larry D. McDonald	Supervisor District 3	Western Surety Company	\$100,000
Larry Havard	Supervisor District 4	Western Surety Company	\$100,000
Henry Cochran	Supervisor District 5	Western Surety Company	\$100,000
Cammie B. Byrd	Chancery Clerk	Western Surety Company	\$100,000
Connie Shockley	Purchase Clerk	Western Surety Company	\$75,000
Linda Fallon	Assistant Purchase Clerk	Western Surety Company	\$75,000
Angela Ludgood	Receiving Clerk	Western Surety Company	\$75,000
William E. Davis	Assistant Receiving Clerk	Western Surety Company	\$50,000
James Shoemaker	Assistant Receiving Clerk	Western Surety Company	\$50,000
Rhonda Byrd	Assistant Receiving Clerk	Western Surety Company	\$50,000
Amye Havens	Inventory Control Clerk	Western Surety Company	\$75,000
Jerry Havard II	Constable	Western Surety Company	\$50,000
Glen Jackie Rogers	Constable	Western Surety Company	\$50,000
Chad Welford	Circuit Clerk	Western Surety Company	\$100,000
Selina E. Holifield	Deputy Circuit Clerk	Western Surety Company	\$50,000
Kimberly Davis	Deputy Circuit Clerk	Western Surety Company	\$50,000
Virgie Holland	Deputy Circuit Clerk	Western Surety Company	\$50,000
Dean Howell	Sheriff	Western Surety Company	\$100,000
Audrey Anna Havard	Sheriff Deputy	Western Surety Company	\$50,000
Benjamin Brown	Sheriff Deputy	Western Surety Company	\$50,000
Bobby Fairley	Sheriff Deputy	Western Surety Company	\$50,000
Cade Tommy	Sheriff Deputy	Western Surety Company	\$50,000
Caleb Davis	Sheriff Deputy	Western Surety Company	\$50,000
Christopher Sullivan	Sheriff Deputy	Western Surety Company	\$50,000
Colby Williams	Sheriff Deputy	Western Surety Company	\$50,000
David Ray	Sheriff Deputy	Western Surety Company	\$50,000
Dayton Rouse	Sheriff Deputy	Western Surety Company	\$50,000
Drew Dowing	Sheriff Deputy	Western Surety Company	\$50,000
Dustin Smith	Sheriff Deputy	Western Surety Company	\$50,000
Elaine Howell	Sheriff Deputy	Western Surety Company	\$50,000
Eric Reilly	Sheriff Deputy	Western Surety Company	\$50,000
George Collins III	Sheriff Deputy	Western Surety Company	\$50,000
Jacob Haynes	Sheriff Deputy	Western Surety Company	\$50,000
Jason Pharez	Sheriff Deputy	Western Surety Company	\$50,000
Joel Goff	Sheriff Deputy	Western Surety Company	\$50,000
Kathleen D. Turner	Sheriff Deputy	Western Surety Company	\$50,000
Larry R. Havard	Sheriff Deputy	Western Surety Company	\$50,000
Lisa Fairley	Sheriff Deputy	Western Surety Company	\$50,000
Lisa Lithicum	Sheriff Deputy	Western Surety Company	\$50,000
Patricia Dueitt	Sheriff Deputy	Western Surety Company	\$50,000
Perry Fairley	Sheriff Deputy	Western Surety Company	\$50,000
Robert Daffin Jr.	Sheriff Deputy	Western Surety Company	\$50,000
Samuel Dayton Kline	Sheriff Deputy	Western Surety Company	\$50,000
Scott Welford	Sheriff Deputy	Western Surety Company	\$50,000
Shaun Jordon	Sheriff Deputy	Western Surety Company	\$50,000
Steven Packer	Sheriff Deputy	Western Surety Company	\$50,000
Timothy Howard	Sheriff Deputy	Western Surety Company	\$50,000

GEORGE COUNTY
 Schedule of Surety Bonds for County Officials
 For the Year Ended September 30, 2014
 UNAUDITED

Name	Position	Company	Bond
Wendell Garris	Sheriff Deputy	Western Surety Company	\$50,000
William H. Davis	Sheriff Deputy	Western Surety Company	\$50,000
Norman Howell	Justice Court Judge	Western Surety Company	\$50,000
Jessie Underwood	Justice Court Judge	Western Surety Company	\$50,000
Sandra Tanner	Justice Court Clerk	Western Surety Company	\$50,000
Margaret Fallon	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Cynthia Busby	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Nancy Shephard	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Vincent Edward Carlisle	Tax Collector-Assessor	Western Surety Company	\$100,000
Loretta Musgrove	Deputy Tax Assessor	Western Surety Company	\$10,000
Savanna Delaine Osborne	Deputy Tax Assessor	Western Surety Company	\$10,000
Bambi Lynn Clark	Deputy Tax Assessor	Western Surety Company	\$10,000
Corleen Nix	Deputy Tax Assessor	Western Surety Company	\$10,000
Lena Jordan	Deputy Tax Assessor	Western Surety Company	\$10,000

GEORGE COUNTY

SPECIAL REPORTS

GEORGE COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

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

Members of the Board of Supervisors
George County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of George County, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 28, 2016. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component unit which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component unit.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2014-001, 2014-002, 2014-003 and 2014-004 to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of George County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated September 28, 2016, included within this document.

George County's Responses to Findings

George County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. George County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

September 28, 2016



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

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

Members of the Board of Supervisors
George County, Mississippi

We have examined George County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2014. The Board of Supervisors of George County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of George County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

In our opinion, George County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2014.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

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

A handwritten signature in black ink, appearing to read "Joe E. Knight". The signature is written in a cursive style with a long horizontal stroke at the end.

September 28, 2016

GEORGE COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2014

Schedule 1

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

GEORGE COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2014

Schedule 2

Our test results did not identify any emergency purchases.

GEORGE COUNTY

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2014

Schedule 3

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

GEORGE COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
George County, Mississippi

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

In addition, for areas not considered material to George County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated September 28, 2016, on the financial statements of George County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

Board of Supervisors.

1. Employees should be properly bonded.

Finding

Section 25-1-15, Miss. Code Ann. (1972), requires a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four years, concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. Several required employees bonds were written as "indefinite" coverage for the entire period of employment, rather than the term. This would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

The current bonds should be cancelled and new ones secured for the duration of the current term.

Board of Supervisors' Response

The Chancery Clerk cancelled the bonds in question and had new ones secured for the duration of the current term.

2. Synopsis of audit report was not published.

Finding

Section 7-7-221(1), Miss. Code Ann. (1972), requires a synopsis of the annual audit report of the fiscal and financial affairs of the County to be published in a local newspaper as soon as possible after the County receives a copy of the audit report. The County did not publish the 2013 audit synopsis. The failure to publish the annual audit synopsis resulted in noncompliance with state law.

Recommendation

The County should publish an audit synopsis of the annual audit report, as required by law.

Board of Supervisors' Response

Board of Supervisors will publish synopsis when report is received and forward it to state auditor. The 2013 audit report was published on March 3, 2016.

3. George County should establish and test a disaster recovery process.

Finding

During our review of the information systems of George County ("the County"), we noted the County has not established a disaster recovery process. As a result, George County cannot fully ensure the County's information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. Control Objectives for Information and Related Technology (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the agency's ability to regain computer operations in the event of a disaster. There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs; periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to re-create. As reported in the prior year's audit report, George County is currently using an automated system to perform daily back-ups of the AS400, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that George County develop, implement, and test a plan to ensure that critical data and applications are recoverable in case of a disaster scenario. In order to do this it will be necessary to gain an understanding from vendors involved in the backup process of the types of backups that should be created, on what frequency these backups should be created, the processes necessary to create the various types of backups and the responsibilities of the various parties involved, including George County personnel and vendor personnel. Furthermore, these procedures and responsibilities should be documented and agreed upon by all parties involved. We further recommend that George County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be stored in a safe, accessible location and updated when needed in order to maintain readiness for a disaster scenario.

Board of Supervisors' Response

I'm aware that we need to be in compliance and have spoken with a provider like Night Shift to give a quote as to what would be our best option on a disaster recovery process. They should be able to put us on a quarterly test with our backed up store file disk and handle the off-site location as well.

4. George County should implement a formal information security policy.

Finding

As reported in the prior year's audit report, George County has not adopted a formal Information Security Policy or Enterprise Security Policy. The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and Internet protocol.

Recommendation

A robust set of Information Technology Policies should cover at least the following areas:

- Acceptable Use
- Portable Computing
- Change Management
- Encryption
- Security Incident Response
- Risk Management
- Backup and Recovery
- Business Continuity/Disaster Recovery

While full compliance with all facets of such a policy may be an economic challenge for George County, beginning steps to become compliant with a policy covering areas such as those listed above are necessary. We recommend that George County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by County Supervisors. In addition, employees that utilized technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

Board of Supervisors' Response

We have started working on a security policy and hope to have it finished and approved by this time next year. We have completed a George County Usage Policy for the Board to review/approve and adopt for all employees in the board minutes.

5. The County should perform periodic physical and logical access reviews.

Finding

We noted during our review, that the County does not have both formal policy and procedures that cover granting or removing logical access for terminated employees. We also noted that the County does not periodically review the levels of access that active users have been granted and determine if the access is appropriate. These reviews should include both physical and logical access. Physical access should be inclusive of buildings, rooms or cages where physical computer hardware and the supporting infrastructure such as wiring, environmental controls, etc. are housed. In deal with physical access, reviews should include keys, proximity cards and biometric devices. An accurate inventory of such items issued for access should be kept and include the job title of persons with such access to facilitate review for appropriateness by management and auditors. Also, security of systems that control access such as personal computers that control proximity card access should also be under tight security controls. Logical access usually refers to access to data and associated computer environments such as application software and operating systems. Areas that should be kept in mind in determining proper logical access are technical issues such as alternate indexes and back doors such as function keys and ability to travel directly from one menu to another. As with physical access user IDs such as those used for network, application, or database security administration should be highly restricted and protected.

Recommendation

We recommend that the County implement periodic reviews of access for all individual users. These reviews should include both physical and logical access. Documentation of such reviews should be retained for reference and audit purposes for a reasonable period. Such retention should be according to guidelines such as policies of the County and regulations such as Internal Revenue Service guidelines. The County should seek legal counsel in determining retention period. In determining the appropriateness of both physical and logical access the reviewer should remain cognizant of job responsibilities, prior job responsibilities which persons may have held that are no longer pertinent, level of expertise of the user, segregation of duties, and regulatory guidelines which may be applicable. Both logical and physical access should be covered by a formal written policy for granting, terminating and changing access. These policies should be approved by management and distributed to employees through procedures that have those granted access to information assets indicate in writing or electronically that they have read and understand the policies and agree to follow them.

Board of Supervisors' Response

Our IBM-I unit has security access. I hope to have a routine in place on new hire and existing employees with our HR Department. Physical – We are looking into it, trying to find a good solution that will fit into our budget.

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

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

September 28, 2016

GEORGE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

GEORGE COUNTY

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GEORGE COUNTY
 Schedule of Findings and Responses
 For the Year Ended September 30, 2014

Section 1: Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued:	
	Governmental activities	Unmodified
	Business-type activities	Unmodified
	Aggregate discretely presented component units	Adverse
	General Fund	Unmodified
	Garbage and Solid Waste Fund	Unmodified
	District 1 Road Construction & Maintenance Fund	Unmodified
	District 4 Road Construction & Maintenance Fund	Unmodified
	Regional Jail Fund	Unmodified
	Aggregate remaining fund information	Unmodified
2.	Internal control over financial reporting:	
	a. Material weaknesses identified?	Yes
	b. Significant deficiency identified?	None reported
3.	Noncompliance material to financial statements noted?	No

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2014-001. Financial data for component units should be included in the financial statements.

Finding

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

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component unit for the inclusion in the County's financial statements.

Board of Supervisors' Response

The Board of Supervisors did not find it financially feasible to provide the financial data for the George County Hospital for inclusion in the County's financial statements.

GEORGE COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2014

Material Weakness

2014-002. The Board should ensure payroll documentation and compensation is adequate and approved.

Finding

An effective system of internal control over the payroll function should include keeping accurate and complete records for each employee's work hours and compensation, as required by the Fair Labor Standards Act. In addition, all timesheets should have the signature of both the employee and immediate supervisor. As reported in the prior year's audit report, the following deficiencies were noted:

- a.) One employee does not have a timesheet to documents compensation for time worked or leave taken during the pay period.
- b.) Timesheets were not being signed by both the employee and immediate supervisors or department head before the Board approves the payroll payments.

Without proper controls, unauthorized, or inaccurate payroll checks could be processed, which could expose the County to possible future liabilities.

Recommendation

The Board of Supervisors should implement effective internal controls over the County's payroll function to ensure payroll is accurate and complete.

Board of Supervisors' Response

The Board of Supervisors has implemented internal controls over the County's payroll functions to ensure our payroll is accurate and complete.

Material Weakness

2014-003. County did not maintain adequate subsidiary records documenting revenue/expenditures for federal grants received.

Finding

An effective system of internal control over federal grants should include adequate subsidiary records documenting all revenues and expenditures relating to each federal grant received. As reported in the prior year's audit report, the County did not report all federal grant expenditures on the schedule of expenditures for federal awards for the year ended September 30, 2014. As a result, several corrections were proposed by the auditor and made by the County to the schedule of expenditures of Federal Awards. The failure to properly complete the schedule of expenditures of federal awards increases the possibility of reporting incorrect amounts of federal expenditures, as well as the possibility of excluding a federal grant on the schedule of expenditures of federal awards.

Recommendation

The County should properly maintain adequate subsidiary records documenting all revenues and expenditures relating to each federal grant received.

Board of Supervisors' Response

The County will implement controls to properly maintain adequate subsidiary records documenting all revenues and expenditures relating to each federal grant received.

GEORGE COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2014

Material Weakness

2014-004. Controls over financial statement preparation should be strengthened.

Finding

An effective system of internal control over financial statement preparation and reporting in accordance with Generally Accepted Accounting Principles should include adequate detail to document the compilation of individual funds' balances and transactions, as well as any adjustments to these balances and transactions, proper accrual of revenues/expenses, proper classifications of fund balances, accurate reporting of debt and the inclusion of all required disclosures in the notes to the financial statements. During our audit, there were material audit adjustments made to the following:

- a.) Capital assets required adjustments of \$3,850,254 to properly record additions to capital assets, and \$3,355,179 to properly record completed construction and buildings.
- b.) Numerous adjustments were made to properly record the County's current year intergovernmental receivables.
- c.) Two funds were improperly classified in the wrong opinion units.

These adjustments were required due to inadequate controls surrounding the compiling of the financial statements. Inadequate controls surrounding the financial statements could result in the misstatement of accounts and transactions on the County's financial statements.

Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with Generally Accepted Accounting Principles that includes adequate detail to document the compilation of individual funds' balances and transactions, as well as any adjustments to these balances and transactions, proper accrual of revenues and expenditures/expenses, proper classification of revenues and expenditures/expenses, proper posting of transactions, proper classification of net assets and fund balances, accurate reporting of debt and the inclusion of all required disclosures in the notes of the financial statements.

Board of Supervisors' Response

The Board of Supervisors will implement a system of internal control over financial statement preparation and reporting in accordance with Generally Accepted Accounting Principles.

Material Weakness

2014-005 Changes to accounting standards should be properly implemented.

Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The County and/or financial statement preparer failed to properly implement this accounting change. Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval. The failure to properly implement standards issued by the Governmental Accounting Standards Board could result in an opinion on the financial statements other than unmodified.

GEORGE COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2014

Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with the standards issued by the Governmental Accounting Standards Board.

Board of Supervisors' Response

We concur.