

# GEORGE COUNTY, MISSISSIPPI

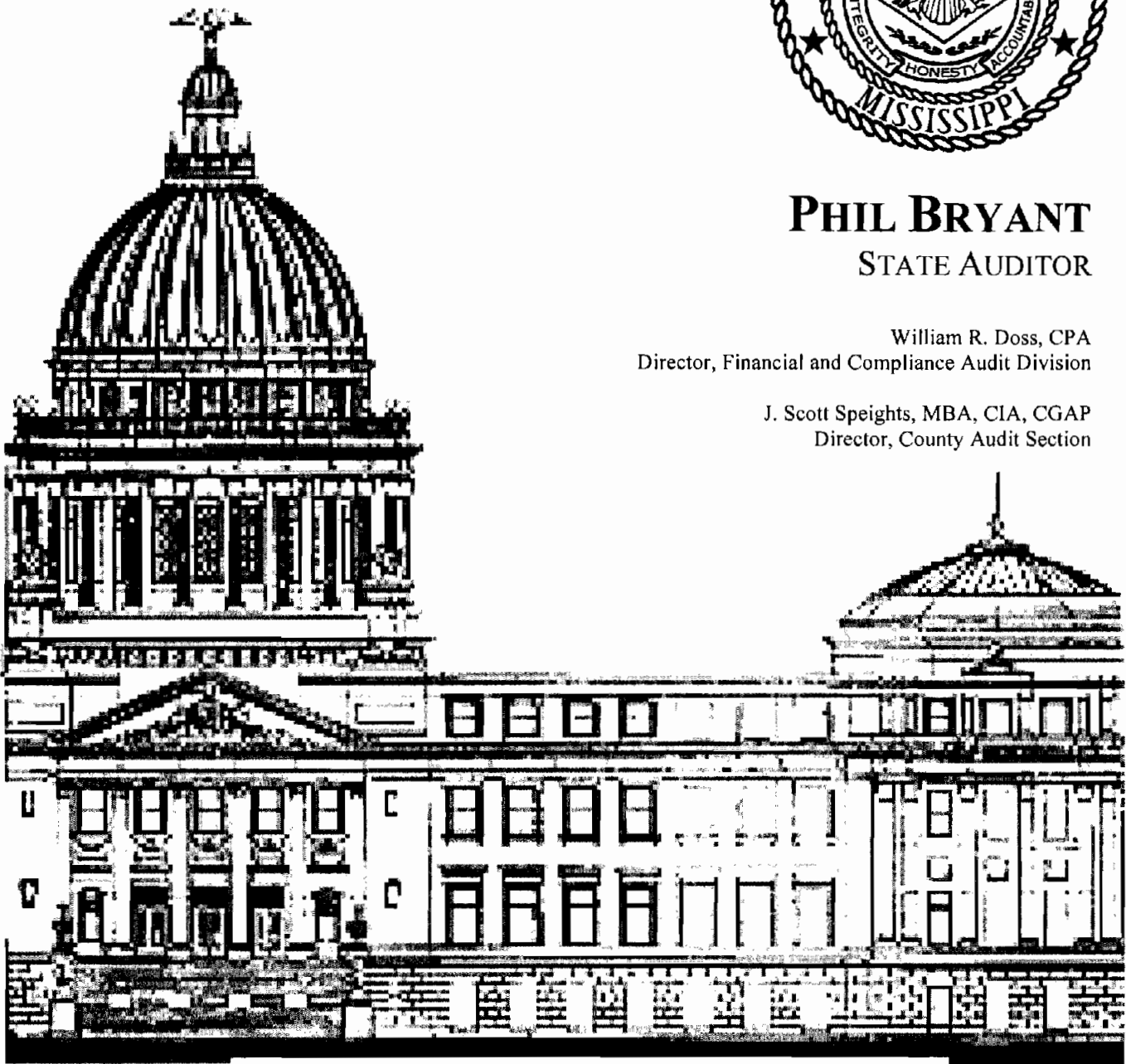
Audited Primary Government Financial Statements and Special Reports  
For the Year Ended September 30, 2006



**PHIL BRYANT**  
STATE AUDITOR

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Director, Financial and Compliance Audit Division

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Director, County Audit Section



A Report from the County Audit Section

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GEORGE COUNTY

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GEORGE COUNTY

FINANCIAL SECTION

GEORGE COUNTY

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
George County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund and the aggregate remaining fund information of George County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2007, on our consideration of George County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

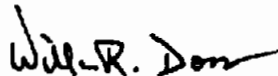
George County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



PHIL BRYANT  
State Auditor



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

July 23, 2007

GEORGE COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

GEORGE COUNTY  
Statement of Net Assets  
September 30, 2006

Exhibit 1

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 5,368,043	1,839,122	7,207,165
Accrued interest receivable	3,475		3,475
Property tax receivable	3,745,500		3,745,500
Accounts receivable (net of allowance for uncollectibles of \$307,734)	34,193		34,193
Fines receivable (net of allowance for uncollectibles of \$914,784)	541,970		541,970
Loans receivable (net of allowance for uncollectibles of \$50,000)	871,976		871,976
Intergovernmental receivables	472,238	219,633	691,871
Internal balances	22,287	(22,287)	
Capital assets:			
Land and construction-in-progress	565,147		565,147
Other capital assets, net	57,244,846	4,879,623	62,124,469
Total Assets	<u>68,869,675</u>	<u>6,916,091</u>	<u>75,785,766</u>
<b>LIABILITIES</b>			
Claims payable	231,087	89,973	321,060
Intergovernmental payables	261,150		261,150
Deferred revenue	3,745,500		3,745,500
Unearned revenue	289,015		289,015
Other payables	14,145		14,145
Long-term liabilities			
Due within one year:			
Capital debt	700,895	225,000	925,895
Non-capital debt	61,031		61,031
Due in more than one year:			
Capital debt	1,536,994	4,975,000	6,511,994
Non-capital debt	857,753	40,209	897,962
Total Liabilities	<u>7,697,570</u>	<u>5,330,182</u>	<u>13,027,752</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	55,572,104	(320,377)	55,251,727
Restricted:			
Expendable:			
General government	80,078		80,078
Public safety	788,590	1,906,286	2,694,876
Public works	2,562,770		2,562,770
Capital projects	522,910		522,910
Unrestricted	1,645,653		1,645,653
Total Net Assets	<u>\$ 61,172,105</u>	<u>1,585,909</u>	<u>62,758,014</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, 2006

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 2,905,059	673,369	6,014	155,900	(2,069,776)		(2,069,776)
Public safety	2,079,776	286,491	1,660,888	70,000	(62,397)		(62,397)
Public works	7,028,077	416,392	681,157	15,972	(5,914,556)		(5,914,556)
Health and welfare	263,466		38,604	8,075	(216,787)		(216,787)
Culture and recreation	5,393				(5,393)		(5,393)
Conservation of natural resources	44,363				(44,363)		(44,363)
Economic development and assistance	91,422				(91,422)		(91,422)
Interest on long-term debt	78,757				(78,757)		(78,757)
Total Governmental Activities	<u>12,496,313</u>	<u>1,376,252</u>	<u>2,386,663</u>	<u>249,947</u>	<u>(8,483,451)</u>	<u>0</u>	<u>(8,483,451)</u>
Business-type activities:							
Correctional Facility	2,546,335	2,808,004	50,446			312,115	312,115
Total Business-type Activities	<u>2,546,335</u>	<u>2,808,004</u>	<u>50,446</u>	<u>0</u>	<u>0</u>	<u>312,115</u>	<u>312,115</u>
Total	<u>\$ 15,042,648</u>	<u>4,184,256</u>	<u>2,437,109</u>	<u>249,947</u>	<u>(8,483,451)</u>	<u>312,115</u>	<u>(8,171,336)</u>
General revenues:							
Property taxes					\$ 6,121,926		6,121,926
Road & bridge privilege taxes					230,164		230,164
Grants and contributions not restricted to specific programs					350,181		350,181
Unrestricted interest income					932,164	50,766	982,930
Transfers					(19,494)	19,494	
Total General Revenues					<u>7,614,941</u>	<u>70,260</u>	<u>7,685,201</u>
Changes in Net Assets					<u>(868,510)</u>	<u>382,375</u>	<u>(486,135)</u>
Net Assets - Beginning					118,642,993	1,129,685	119,772,678
Prior period adjustments					(56,602,378)	73,849	(56,528,529)
Net Assets - Beginning, as restated					<u>62,040,615</u>	<u>1,203,534</u>	<u>63,244,149</u>
Net Assets - Ending					<u>\$ 61,172,105</u>	<u>1,585,909</u>	<u>62,758,014</u>

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

GEORGE COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2006

Exhibit 3

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
<b>ASSETS</b>			
Cash	\$ 2,163,149	3,204,894	5,368,043
Accrued interest receivable	3,475		3,475
Property tax receivable	2,056,850	1,688,650	3,745,500
Accounts receivable (net of allowance for uncollectibles of \$307,734)		34,193	34,193
Fines receivable (net of allowance for uncollectibles of \$914,784)	541,970		541,970
Loans receivable (net of allowance for uncollectibles of \$50,000)		871,976	871,976
Intergovernmental receivables	134,860	337,378	472,238
Due from other funds	77,089	85,348	162,437
Advances to other funds	5,198		5,198
Total Assets	<u>\$ 4,982,591</u>	<u>6,222,439</u>	<u>11,205,030</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Claims payable	\$ 34,854	196,233	231,087
Intergovernmental payables	232,409		232,409
Due to other funds	114,089	60,000	174,089
Deferred revenue	2,598,820	1,722,843	4,321,663
Unearned revenue		289,015	289,015
Other payables	14,145		14,145
Total Liabilities	<u>2,994,317</u>	<u>2,268,091</u>	<u>5,262,408</u>
<b>Fund balances:</b>			
<b>Reserved for:</b>			
Loans receivable		871,976	871,976
Advances	5,198		5,198
<b>Unreserved - undesignated, reported in:</b>			
General Fund	1,983,076		1,983,076
Special Revenue Funds		2,559,462	2,559,462
Capital Project Funds		522,910	522,910
Total Fund Balances	<u>1,988,274</u>	<u>3,954,348</u>	<u>5,942,622</u>
Total Liabilities and Fund Balances	<u>\$ 4,982,591</u>	<u>6,222,439</u>	<u>11,205,030</u>

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

GEORGE COUNTY

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

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,942,622
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$54,219,529.	57,809,993
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	576,163
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,156,673)</u>
Total Net Assets - Governmental Activities	<u>\$ 61,172,105</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, 2006

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
<b>REVENUES</b>			
Property taxes	\$ 3,519,419	2,602,507	6,121,926
Road and bridge privilege taxes	119	230,045	230,164
Licenses, commissions and other revenue	296,533	24,897	321,430
Fines and forfeitures	342,662	1,840	344,502
Intergovernmental revenues	672,450	2,314,341	2,986,791
Charges for services	27,080	722,551	749,631
Interest income	64,812	96,836	161,648
Miscellaneous revenues	256,058	411,058	667,116
Total Revenues	<u>5,179,133</u>	<u>6,404,075</u>	<u>11,583,208</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,755,657	146,153	2,901,810
Public safety	1,190,665	884,862	2,075,527
Public works		6,290,746	6,290,746
Health and welfare	263,466		263,466
Culture and recreation	5,228	165	5,393
Conservation of natural resources	44,363		44,363
Economic development and assistance	91,422		91,422
Debt service:			
Principal	158,352	1,211,394	1,369,746
Interest	19,444	59,313	78,757
Total Expenditures	<u>4,528,597</u>	<u>8,592,633</u>	<u>13,121,230</u>
Excess of Revenues over (under) Expenditures	<u>650,536</u>	<u>(2,188,558)</u>	<u>(1,538,022)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-term capital debt issued		1,364,864	1,364,864
Proceeds from sale of capital assets		1,454,584	1,454,584
Transfers in		1,269,488	1,269,488
Transfers out	(605,459)	(683,523)	(1,288,982)
Total Other Financing Sources and Uses	<u>(605,459)</u>	<u>3,405,413</u>	<u>2,799,954</u>
Net Changes in Fund Balances	45,077	1,216,855	1,261,932
Fund Balances - Beginning	<u>1,943,197</u>	<u>2,737,493</u>	<u>4,680,690</u>
Fund Balances - Ending	<u>\$ 1,988,274</u>	<u>3,954,348</u>	<u>5,942,622</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, 2006

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 1,261,932
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation of \$4,432,982 exceeded capital outlays of \$3,703,190 in the current period.	(729,792)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$103,400 and the proceeds from the sale of \$1,454,584 in the current period.	(1,351,184)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	52,297
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.	(91,608)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$1,369,746 exceeded debt proceeds of \$1,364,864.	4,882
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. Thus, the change in net assets differs from the change in fund balances by the amount of the increase in compensated absences.	(15,037)
Change in Net Assets of Governmental Activities	<u>\$ (868,510)</u>

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

GEORGE COUNTY  
Statement of Net Assets - Proprietary Fund  
September 30, 2006

Exhibit 5

	Business-type Activities - Enterprise Fund Regional Jail Fund
ASSETS	
Current assets:	
Cash	\$ 1,839,122
Intergovernmental receivables	219,633
Total Current Assets	<u>2,058,755</u>
Noncurrent assets:	
Capital assets, net	4,879,623
Total Noncurrent Assets	<u>4,879,623</u>
Total Assets	<u>6,938,378</u>
LIABILITIES	
Current liabilities:	
Claims payable	89,973
Due to other funds	17,089
Advances from other funds	5,198
Capital debt:	
Limited obligation bonds	225,000
Total Current Liabilities	<u>337,260</u>
Noncurrent liabilities:	
Capital debt:	
Limited obligation bonds	4,975,000
Non-capital debt:	
Compensated absences payable	40,209
Total Noncurrent Liabilities	<u>5,015,209</u>
NET ASSETS	
Invested in capital assets, net of related debt	(320,377)
Restricted	
Public safety	1,906,286
Total Net Assets	<u>\$ 1,585,909</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 Fund Net Assets - Proprietary Fund  
For the Year Ended September 30, 2006

	Business-type Activities - Enterprise Fund
	Regional Jail Fund
Operating Revenues	
Charges for services	\$ 2,808,004
Operating grants	17,435
Miscellaneous	33,011
Total Operating Revenues	<u>2,858,450</u>
Operating Expenses	
Personal services	1,287,208
Contractual services	417,071
Materials and supplies	395,372
Depreciation expense	126,776
Indirect administrative cost	17,089
Total Operating Expenses	<u>2,243,516</u>
Operating Income (Loss)	<u>614,934</u>
Nonoperating Revenues (Expenses)	
Interest income	50,766
Interest expense	(302,819)
Net Nonoperating Revenue (Expenses)	<u>(252,053)</u>
Net Income (Loss) Before Transfers	362,881
Transfers in	<u>19,494</u>
Changes in Net Assets	<u>382,375</u>
Net Assets - Beginning	1,129,685
Prior period adjustment	73,849
Net Assets - Beginning, as restated	<u>1,203,534</u>
Net Assets - Ending	<u>\$ 1,585,909</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, 2006

Exhibit 7

	Business-type Activities - Enterprise Fund Regional Jail Fund
Cash Flows From Operating Activities	
Receipts from users	\$ 2,796,280
Payments to suppliers	(760,490)
Payments to employees	(1,313,782)
Operating grant	17,435
Other operating cash receipts	33,011
Net Cash Provided (Used) by Operating Activities	<u>772,454</u>
Cash Flows From Noncapital and Related Financing Activities	
Cash received from other funds	
Operating transfers in	19,494
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>19,494</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on long-term debt	(210,000)
Interest paid on debt	(302,819)
Acquisition and construction of capital assets	(64,086)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(576,905)</u>
Cash Flows From Investing Activities	
Interest on deposits	50,766
Net Cash Provided (Used) by Investing Activities	<u>50,766</u>
Net Increase (Decrease) in Cash and Cash Equivalents	265,809
Cash and Cash Equivalents at Beginning of Year	<u>1,573,313</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,839,122</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 614,934
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	126,776
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivables	(11,724)
Increase (decrease) in claims payable	51,953
Increase (decrease) in compensated absences liability	8,214
Increase (decrease) in interfund payables	(17,699)
Total Adjustments	<u>157,520</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 772,454</u>

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

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

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 382,683
Due from other funds	28,741
Other receivables	15
Total Assets	<u>\$ 411,439</u>
LIABILITIES	
Amounts held in custody for others	\$ 128,309
Intergovernmental payables	283,130
Total Liabilities	<u>\$ 411,439</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, 2006

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

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

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

- George County Hospital

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

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

##### B. Individual Component Unit Disclosures.

###### Blended Component Unit.

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

##### C. Basis of Presentation.

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

## GEORGE COUNTY

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

#### Government-wide Financial Statements:

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

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

#### Fund Financial Statements:

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

#### D. Measurement Focus and Basis of Accounting.

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

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

## GEORGE COUNTY

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

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

The county reports the following major Governmental Fund:

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

The county reports the following major Proprietary Fund:

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

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

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

#### PROPRIETARY FUND TYPE

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

#### FIDUCIARY FUND TYPE

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



## GEORGE COUNTY

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

#### E. Account Classifications.

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

#### F. Deposits and Investments.

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

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

#### G. Receivables.

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

#### H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. 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, 2006

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. George County elected to report general infrastructure assets acquired after September 30, 1980 on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Fund. 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.

#### J. Long-term Liabilities.

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

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

#### K. Equity Classifications.

Government-wide Financial Statements:

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

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

## GEORGE COUNTY

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

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

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

#### Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

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

#### L. Property Tax Revenues.

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

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

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

#### M. Intergovernmental Revenues in Governmental Funds.

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

## GEORGE COUNTY

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

#### N. Compensated Absences.

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

#### (2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

##### Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
Capital asset adjustments were made to properly record accumulated depreciation and to correct prior year errors.	\$ <u>(56,602,378)</u>

##### Exhibit 6 - Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund.

<u>Explanation</u>	<u>Amount</u>
Capital asset adjustments were made to correct prior year errors.	\$ <u>73,849</u>

#### (3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2006, was \$7,589,848, and the bank balance was \$7,940,418. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

# GEORGE COUNTY

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

### (4) Interfund Transactions and Balances.

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

#### A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Fund	\$ 60,000
General	Regional Jail	17,089
Other Governmental Funds	General	85,348
Agency	General	28,741
Total		<u>\$ 191,178</u>

The General Fund receivable amounts represent funds needed for garbage and solid waste operating purposes, and indirect costs due to the regional jail operations. The remaining receivables represent the tax revenue collected but not settled until October, 2006. All interfund balances are expected to be repaid within one year from the date of the financial statements.

#### B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Regional Jail	<u>\$ 5,198</u>

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

#### C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 585,965
Other Governmental Funds	Other Governmental Funds	683,523
Regional Jail Fund	General Fund	19,494
Total		<u>\$ 1,288,982</u>

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

# GEORGE COUNTY

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

### (5) Intergovernmental Receivables.

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

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 115,740
Reimbursement for human services	2,894
Disaster grants - public assistance	<u>353,604</u>
Total Governmental Activities	\$ <u>472,238</u>
Business-type Activities:	
Reimbursement for housing prisoners	\$ <u>219,633</u>

### (6) Loans Receivable.

Loans receivable balances at September 30, 2006, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Balance Payable
George County Hospital	10-26-92	0%	Unknown	\$ 50,000
Freight rail service loan	10-06-03	1%	03-01-20	<u>871,976</u>
Total				921,976
Less: Allowance for doubtful accounts*				<u>(50,000)</u>
Total (Net of allowance for doubtful accounts)				\$ <u>871,976</u>

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

### (7) Capital Assets.

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

Governmental activities:

	Balance Oct. 1, 2005	Additions	Deletions	Adjustments *	Balance Sept. 30, 2006
<u>Non-depreciable capital assets:</u>					
Land	\$ 560,702	54,419	3,135	(87,674)	524,312
Construction in progress	<u>149,997</u>	<u>46,690</u>		<u>(155,852)</u>	<u>40,835</u>
Total non-depreciable capital assets	<u>710,699</u>	<u>101,109</u>	<u>3,135</u>	<u>(243,526)</u>	<u>565,147</u>

GEORGE COUNTY

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

	Balance Oct. 1, 2005	Additions	Deletions	Adjustments *	Balance Sept. 30, 2006
<u>Depreciable capital assets:</u>					
Infrastructure	97,076,615	536,631		(4)	97,613,242
Buildings	8,712,731	53,500		(4,866,332)	3,899,899
Improvements other than buildings	287,032			(253,755)	33,277
Mobile equipment	6,252,925	1,602,027	727,942	173,514	7,300,524
Furniture and equipment	1,319,920	45,059	25,393	(1,076,471)	263,115
Leased property under capital leases	2,133,425	1,364,864	956,846	(187,125)	2,354,318
Total depreciable capital assets	<u>115,782,648</u>	<u>3,602,081</u>	<u>1,710,181</u>	<u>(6,210,173)</u>	<u>111,464,375</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure		3,308,173		48,093,006	51,401,179
Buildings		57,786		298,640	356,426
Improvements other than buildings		1,332		3,996	5,328
Mobile equipment		807,408	14,576	1,485,622	2,278,454
Furniture and equipment		20,721	3,080	39,241	56,882
Leased property under capital leases		237,562	344,476	228,174	121,260
Total accumulated depreciation	<u>0</u>	<u>4,432,982</u>	<u>362,132</u>	<u>50,148,679</u>	<u>54,219,529</u>
Total depreciable capital assets, net	<u>115,782,648</u>	<u>(830,901)</u>	<u>1,348,049</u>	<u>(56,358,852)</u>	<u>57,244,846</u>
Governmental activities capital assets, net	<u>\$ 116,493,347</u>	<u>(729,792)</u>	<u>1,351,184</u>	<u>(56,602,378)</u>	<u>57,809,993</u>
Business-type activities:					
	Balance Oct. 1, 2005	Additions	Deletions	Adjustments *	Balance Sept. 30, 2006
<u>Non-depreciable capital assets:</u>					
Land	\$ 26,871			60,803	87,674
Construction in progress	148,050	16,171	164,221		0
Total non-depreciable capital assets	<u>174,921</u>	<u>16,171</u>	<u>164,221</u>	<u>60,803</u>	<u>87,674</u>
<u>Depreciable capital assets:</u>					
Buildings	4,991,109	164,221		157,216	5,312,546
Mobile equipment	56,588			19,868	76,456
Furniture and equipment	16,468	47,915		15,995	80,378
Total depreciable capital assets	<u>5,064,165</u>	<u>212,136</u>	<u>0</u>	<u>193,079</u>	<u>5,469,380</u>

# GEORGE COUNTY

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

	Balance Oct. 1, 2005	Additions	Deletions	Adjustments *	Balance Sept. 30, 2006
<u>Less accumulated depreciation for:</u>					
Buildings	341,391	106,253		170,304	617,948
Mobile equipment	22,339	10,180		2,278	34,797
Furniture and equipment	6,892	10,343		7,451	24,686
Total accumulated depreciation	<u>370,622</u>	<u>126,776</u>	<u>0</u>	<u>180,033</u>	<u>677,431</u>
 Total depreciable capital assets, net	 <u>4,693,543</u>	 <u>85,360</u>	 <u>0</u>	 <u>13,046</u>	 <u>4,791,949</u>
 Business-type activities capital assets, net	 <u>\$ 4,868,464</u>	 <u>101,531</u>	 <u>164,221</u>	 <u>73,849</u>	 <u>4,879,623</u>

\* The adjustments to capital assets were to properly record accumulated depreciation and to correct prior year errors.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 64,971
Public safety	472,181
Public works	3,894,390
Health and welfare	691
Conservation of natural resources	749
Total governmental activities depreciation expense	<u>\$ 4,432,982</u>
Business-type activities:	
Correctional facility	<u>\$ 126,776</u>

Commitments with respect to unfinished capital projects at September 30, 2006, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Fire station	\$ 1,000	July 2007



# GEORGE COUNTY

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

### (8) Claims and Judgments.

#### Risk Financing.

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

### (9) Capital Leases.

#### As Lessee:

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

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 2,321,552
Furniture and equipment	<u>32,766</u>
Total	2,354,318
Less: Accumulated depreciation	<u>121,260</u>
Leased Property Under Capital Leases	<u><u>\$ 2,233,058</u></u>

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 636,706	63,151
2008	669,717	36,535
2009	474,606	18,628
2010	<u>132,798</u>	<u>1,907</u>
Total	<u><u>\$ 1,913,827</u></u>	<u><u>120,221</u></u>

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

# GEORGE COUNTY

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

### (10) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. Capital Leases:			
District 4 Caterpillar motor grader	\$ 101,293	3.89%	09-07
District 1 Caterpillar 12H motor grader	96,252	3.89%	10-07
District 1 Caterpillar 938G wheel loader	67,850	3.89%	10-07
Telephone system	15,457	2.03%	02-09
District 5 dump truck	22,262	2.74%	09-07
District 4 backhoe	1,493	3.25%	10-06
District 4 loader	102,781	3.25%	02-10
District 5 loader	103,755	3.25%	03-10
District 2 backhoe	59,942	3.25%	04-08
Eleven Mack trucks (all road districts)	1,004,890	3.25%	04-09
District 1 dump truck	94,990	3.25%	04-09
District 2 dump truck	54,990	3.25%	04-09
District 1 two tractors	62,624	3.88%	05-09
District 4 two tractors	62,624	3.88%	05-09
District 5 two tractors	62,624	3.88%	05-09
Total Capital Leases	\$ <u>1,913,827</u>		
B. Other Loans:			
Human services building loan	\$ 141,567	4.25%	09-09
Multi-purpose building loan	182,495	3.00%	07-19
Freight rail service revolving MDA loan	871,976	1.00%	03-20
Total Other Loans	\$ <u>1,196,038</u>		
Business-type Activities:			
Limited Obligation Bonds:			
Correctional facility urban renewal revenue bonds	\$ <u>5,200,000</u>	4.75 - 6.80%	04-21

# GEORGE COUNTY

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

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

### Governmental Activities:

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 125,220	19,254
2008	128,484	15,989
2009	131,890	12,583
2010	83,188	9,896
2011	73,878	8,905
2012 - 2016	384,012	29,899
2017 - 2021	<u>269,366</u>	<u>5,705</u>
Total	<u>\$ 1,196,038</u>	<u>102,231</u>

### Business-type Activities:

<u>Year Ending September 30</u>	<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 225,000	285,676
2008	235,000	270,961
2009	250,000	255,871
2010	265,000	240,168
2011	285,000	225,382
2012 - 2016	1,685,000	891,040
2017 - 2021	<u>2,255,000</u>	<u>354,659</u>
Total	<u>\$ 5,200,000</u>	<u>2,523,757</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, 2006, the county had no outstanding general obligation bonded debt.

# GEORGE COUNTY

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

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

	Balance Oct. 1, 2005	Additions	Reductions	Adjustments	Balance Sept. 30,	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 31,771	15,037			46,808	
Capital leases	1,796,652	1,364,864	1,247,689		1,913,827	636,706
Other loans	1,318,095		122,057		1,196,038	125,220
Total	\$ 3,146,518	1,379,901	1,369,746	0	3,156,673	761,926
Business-type Activities:						
Compensated absences	\$ 31,995	8,214			40,209	
Limited obligation bonds	5,410,000		210,000		5,200,000	225,000
Total	\$ 5,441,995	8,214	210,000	0	5,240,209	225,000

### (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.

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

Hospital Revenue Bond Contingencies - The county issues revenue bonds to provide funds for constructing and improving capital facilities of the George County Hospital. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the county remains contingently liable for the retirement of these bonds because the full faith, credit and taxing power of the county is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue bonds outstanding at September 30, 2006, is \$4,450,000.

### (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 the Counties of George and Jackson. The George County Board of Supervisors appoints one of the two members of the board of commissioners. The county appropriated \$53,000 for support of the center in fiscal year 2006.

## GEORGE COUNTY

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

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The George County Board of Supervisors appoints one of the 27 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$46,150 for support of the district in fiscal year 2006.

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 \$463,716 for maintenance and support of the college in fiscal year 2006.

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

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

#### (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. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2006 was 11.30% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2006, 2005 and 2004 were \$324,046, \$284,667 and \$248,485, respectively, equal to the required contributions for each year.

# GEORGE COUNTY

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

### (14) Subsequent Events.

Subsequent to September 30, 2006, George County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/09/06	4.28%	\$ 568,800	Capital lease	Solid waste funds
12/07/06	4.28%	86,896	Capital lease	Solid waste funds
02/22/07	4.19%	1,269,671	Capital lease	Districts 1- 5 road funds
02/22/07	4.19%	210,894	Capital lease	Districts 1- 5 road funds
07/16/07	4.28%	86,598	Capital lease	District 1 road funds
07/16/07	4.28%	43,299	Capital lease	District 2 road funds
07/16/07	4.28%	43,299	Capital lease	District 3 road funds
07/16/07	4.35%	133,278	Capital lease	General county funds
09/11/07	4.35%	82,061	Capital lease	District 1 road funds
09/11/07	4.35%	82,061	Capital lease	District 3 road funds
09/11/07	4.35%	82,061	Capital lease	District 4 road funds

## GEORGE COUNTY

### REQUIRED SUPPLEMENTARY INFORMATION

GEORGE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 3,245,850	3,538,189	3,513,787	(24,402)
Licenses, commissions and other revenue	251,300	294,576	294,576	
Fines and forfeitures	290,100	338,334	338,334	
Intergovernmental revenues	406,850	580,532	580,532	
Charges for services		27,080	27,080	
Interest income	42,500	58,491	58,491	
Miscellaneous revenues	77,800	232,600	257,002	24,402
Total Revenues	<u>4,314,400</u>	<u>5,069,802</u>	<u>5,069,802</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,623,850	3,051,942	3,051,942	
Public safety	1,201,700	1,335,551	1,335,551	
Health and welfare	240,650	248,668	248,668	
Culture and recreation	32,000	18,532	18,532	
Conservation of natural resources	43,250	45,776	45,776	
Economic development and assistance	90,000	90,798	90,798	
Total Expenditures	<u>4,231,450</u>	<u>4,791,267</u>	<u>4,791,267</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>82,950</u>	<u>278,535</u>	<u>278,535</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets			450	450
Compensation for loss of capital assets		93,754	78,131	(15,623)
Transfers in	10,250	5,054	20,227	15,173
Transfers out		(155,129)	(155,129)	
Total Other Financing Sources and Uses	<u>10,250</u>	<u>(56,321)</u>	<u>(56,321)</u>	<u>0</u>
Net Change in Fund Balance	93,200	222,214	222,214	0
Fund Balances - Beginning	<u>1,357,605</u>	<u>1,357,605</u>	<u>1,357,605</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,450,805</u>	<u>1,579,819</u>	<u>1,579,819</u>	<u>0</u>

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



## GEORGE COUNTY

### Notes to the Required Supplementary Information For the Year Ended September 30, 2006

#### A. Budgetary Information.

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

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

#### B. Basis of Presentation.

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

#### C. Budget/GAAP Reconciliation.

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

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

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

	<u>Governmental Fund Type</u> General Fund
Budget (Cash Basis)	\$ 222,214
Increase (Decrease)	
Net adjustments for revenue accruals	192,691
Net adjustments for expenditure accruals	<u>(369,828)</u>
GAAP Basis	\$ <u><u>45,077</u></u>

GEORGE COUNTY

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## GEORGE COUNTY

## SUPPLEMENTAL INFORMATION

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

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency Disaster grants - public assistance	97.036	1604-DR-MS	\$ <u>1,504,235</u>
OTHER FEDERAL AWARDS			
U.S. Department of Justice - Office of Justice Programs/Passed-through the Mississippi Department of Public Safety Edward Byrne memorial justice assistance grant program	16.738	06HR1201	<u>39,649</u>
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	<u>8,160</u>
U.S. Department of Energy - Office of Environmental Management/Passed-through the Mississippi Emergency Management Agency Transport of Transuranic Waste to the Waste Isolation Pilot Plant	81.106	N/A	<u>9,980</u>
U.S. Election Assistance Commission/ Passed-through the Mississippi Secretary of State Help America Vote Act requirements payments (Note B)	90.401	N/A	<u>115,366</u>
U.S. Department of Homeland Security/Passed-through the Mississippi Department of Public Safety - Office of Homeland Security Homeland Security Cluster State domestic preparedness equipment support program	97.004	04CS020	8,652
State domestic preparedness equipment support program	97.004	04HS020	<u>6,807</u>
Total U.S. Department of Homeland Security			<u>15,459</u>
Total Expenditures of Other Federal Awards			<u>188,614</u>
Total Expenditures of Federal Awards			\$ <u><u>1,692,849</u></u>

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

Note B - Help America Vote Act requirements payments (CFDA #90.401)

Of the federal expenditures presented in the schedule, federal awards totaling \$115,366 represented non-cash awards for computerized voting machines during the fiscal year ended September 30, 2006.

## GEORGE COUNTY

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## GEORGE COUNTY

## SPECIAL REPORTS

## GEORGE COUNTY

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## State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
George County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, the major fund and the aggregate remaining fund information of George County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated July 23, 2007. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered George County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect George County, Mississippi's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 06-1.

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

### Compliance and Other Matters

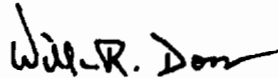
As part of obtaining reasonable assurance about whether George County, Mississippi's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could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

However, we noted certain instances of noncompliance which we have reported to the management of George County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated July 23, 2007, included within this document.

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



PHIL BRYANT  
State Auditor



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

July 23, 2007



## State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
George County, Mississippi

#### Compliance

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

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

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

## Internal Control Over Compliance

The management of George County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered George County, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

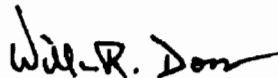
We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect George County, Mississippi's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 06-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

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



PHIL BRYANT  
State Auditor



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

July 23, 2007



## State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
George County, Mississippi

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

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

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

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

Inventory Control Clerk.

Finding

The following deficiencies were noted in the capital asset records:

- a. The system established for depreciating assets was inconsistent in terms of the useful life for asset classes.
- b. Some assets were classified incorrectly as to asset class.

The failure to maintain an accurate inventory control system could result in the increased possibility of the loss or misappropriation of public funds.

Recommendation

The Inventory Control Clerk should ensure that capital assets are correctly valued, depreciated and classified in order to present the proper capital assets amount in the future.

Inventory Clerk's Response

I concur.


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

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

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



PHIL BRYANT  
State Auditor



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

July 23, 2007

GEORGE COUNTY

Schedule 1

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

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, 2006

Schedule 2

Our test results did not identify any emergency purchases.



GEORGE COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source

For the Year Ended September 30, 2006

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
02/24/06	Tasers	\$ 13,204	Taser International

## GEORGE COUNTY

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## State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
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, 2006, 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 July 23, 2007, on the financial statements of George County, Mississippi.

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

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

Sheriff.

1. Finding

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

- a. Pre-numbered receipts were used out of sequential order.
- b. Bank statements were not reconciled to the cash journal.

- c. As reported in prior years' audit reports, accounting duties were not adequately segregated because one employee prepares deposit slips, makes bank deposits and performs bank reconciliations.

Failure to reconcile the bank statements to the cash journal and adequately segregate accounting duties could result in the loss or misappropriation of public funds.

Recommendation

Accounting duties should be segregated, pre-numbered receipts should be used in sequential order and bank statements should be reconciled to the cash journal.

Sheriff's Response

I will ensure that pre-numbered receipts will be used in sequential order, will ensure that bank statements are properly reconciled to the cash journal and will have separate employees prepare deposit slips and make deposits.

2. Finding

The Canteen Fund has accumulated \$13,509 in unidentified funds, and efforts have not been made to identify these funds and make settlements to the proper parties. Failure to identify and make proper settlements of the Canteen Funds could result in the loss or misappropriation of public funds.

Recommendation

The Sheriff should take whatever measures necessary to identify these funds and make settlements to the proper parties.

Sheriff's Response

The excess funds have been investigated and identified and will be settled to the proper authorities or vendors in the near future.

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



PHIL BRYANT  
State Auditor



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

July 23, 2007

GEORGE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## GEORGE COUNTY

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GEORGE COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2006

Section 1: Summary of Auditor's Results

***Financial Statements:***

- |    |   |               |
|----|---|---------------|
| 1. | Type of auditor's report issued on the primary government financial statements:   | Unqualified   |
| 2. | Internal control over financial reporting:  |               |
| a. | Material weakness identified?   | Yes           |
| b. | Reportable condition identified that is not considered to be a material weakness? | None Reported |
| 3. | Noncompliance material to the primary government financial statements?            | No            |

***Federal Awards:***

- |     |  |               |
|-----|--|---------------|
| 4.  | Internal control over major programs:  |               |
| a.  | Material weakness identified?  | Yes           |
| b.  | Reportable condition identified that is not considered to be a material weakness?  | None Reported |
| 5.  | Type of auditor's report issued on compliance for major federal programs:  | Unqualified   |
| 6.  | Any audit finding reported as required by Section ____ .510(a) of Circular A-133?  | Yes           |
| 7.  | Federal program identified as a major program:   |               |
|     | Disaster grants - public assistance, CFDA #97.036  |               |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000     |
| 9.  | Auditee qualified as a low-risk auditee?   | No            |
| 10. | Prior fiscal year audit finding and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No            |

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2006



## GEORGE COUNTY

### AUDITEE'S CORRECTIVE ACTION PLAN

## GEORGE COUNTY

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# George County Board of Supervisors

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



LIT EUBANKS, DISTRICT ONE  
KELLY WRIGHT, DISTRICT TWO  
HENRY COCHRAN, DISTRICT FIVE  
CONNIE SHOCKLEY, PURCHASE CLERK

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

**CORRECTIVE ACTION PLAN**

**JULY 25, 2007**

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

Gentlemen:

George County, Mississippi respectfully submits the following corrective action plan for the year ended September 30, 2006.

The findings from the Schedule of Findings and Questioned Cost is discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

## **SECTION 2: FINANCIAL STATEMENT FINDINGS:**

**06-01 Corrective Action Planned:** In 2007 Solid Waste was put on the computer system with the Tax Collectors office. We are implementing the recommendations of the Auditors office and should satisfy this requirement in 2007. We have provided a list of delinquencies as of September 2006 that shows the outstanding balances due. With the new computer system, we are able to track the delinquencies with more success.

**Anticipated Completion Date:** Completed

**Name of Contact Person Responsible for Corrective Action:** Wilburn Bolen, Tax Collector.

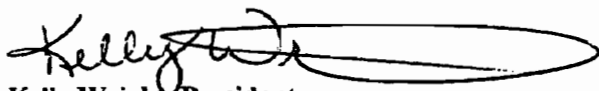
## **SECTION 3: FEDERAL AWARD FINDINGS & QUESTIONED COST:**

**06-02 Corrective Action Planned:** All project worksheets were available in file when clerk disbursed funds, clerk had to have project worksheets to disburse funds properly to bookkeeper and all funds disbursed properly.

**Anticipated Completion Date:** Next Disaster

**Name of Contact Person Responsible for Corrective Action:** Cammie Byrd, Chancery Clerk

Sincerely Yours,

  
Kelly Wright, President  
Board of Supervisors