

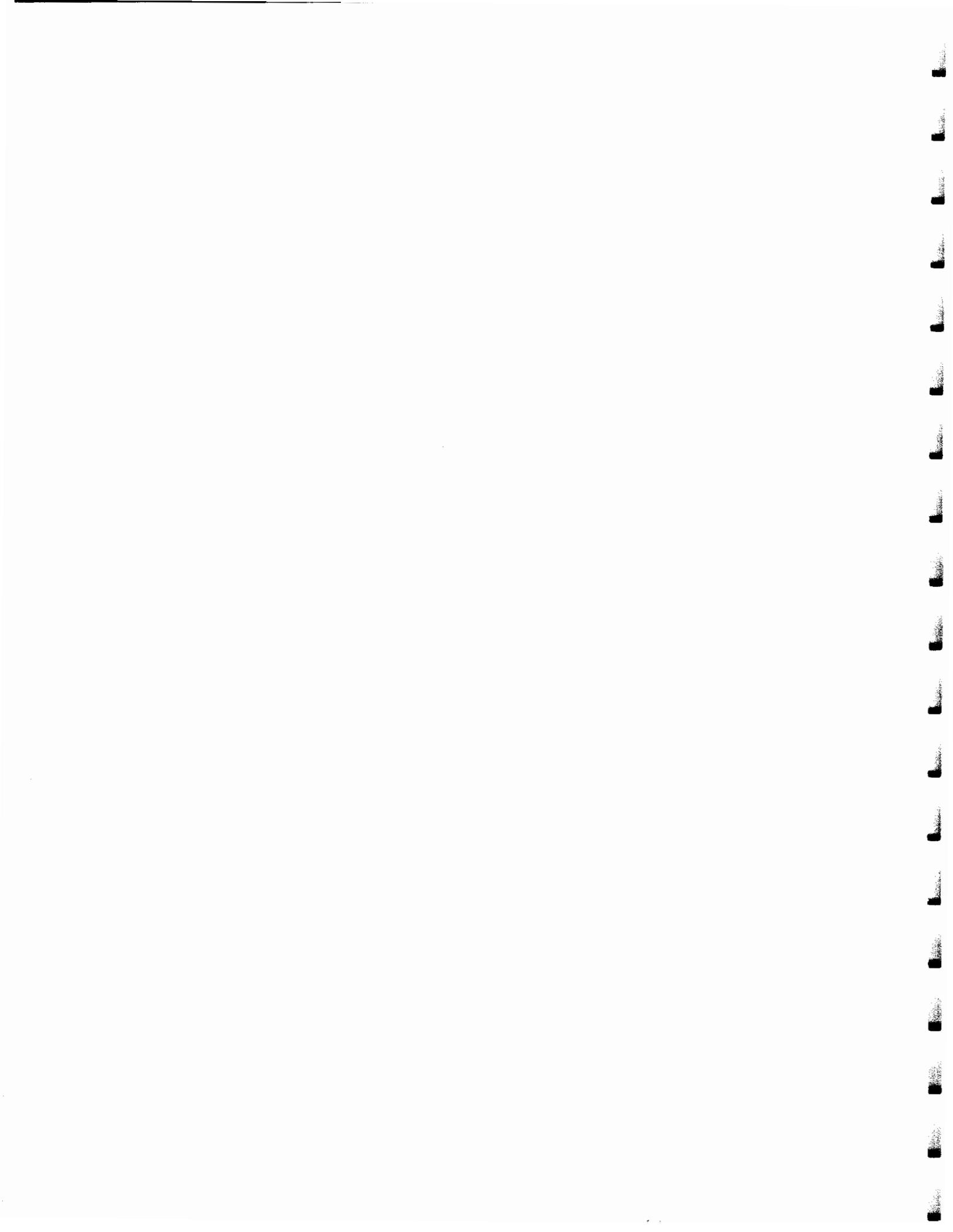


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GEORGE COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2005

Presented by:
Dribben & Associates, Ltd.
P. O. Box 1411
113 North Broadway Avenue
McComb, MS 39649-1411



GEORGE COUNTY SCHOOL DISTRICT

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GEORGE COUNTY SCHOOL DISTRICT

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GEORGE COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

GEORGE COUNTY SCHOOL DISTRICT

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

December 9, 2005

Superintendent and School Board
George County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the George County School District as of and for the year ended June 30, 2005, which collectively comprise the George County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the George County School District's management. Our responsibility is to express opinions on these 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 opinion.

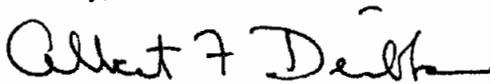
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the George County School District, as of June 30, 2005, and the respective changes in financial position, 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 December 9, 2005, on our consideration of the George County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 9 through 18 and the Budgetary Comparison Schedule and corresponding notes on pages 43 through 45 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the George County School District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for purposes of additional analysis. 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.

Sincerely,

A handwritten signature in cursive script that reads "Albert F. Dribben". The signature is written in black ink and is positioned above the typed name.

Albert F. Dribben, CPA
President

Dribben & Associates, Ltd.
McComb, Mississippi

GEORGE COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

GEORGE COUNTY SCHOOL DISTRICT

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GEORGE COUNTY SCHOOL DISTRICT

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GEORGE COUNTY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2005

The discussion and analysis of George County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented and is included in this discussion and analysis.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$1,386,925, which represents a 11% increase from fiscal year 2004. This increase is due mainly to the increase in capital assets during the fiscal year related to the construction and renovation of school facilities and the purchase of mobile equipment and furniture and equipment. The increase is also due to the reduction of long-term debt during the fiscal year related to the capital assets.
- General revenues accounted for \$20,648,181 in revenue, or 80% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,242,792, or 20% of total revenues.
- The District had \$24,131,092 in expenses; only \$5,242,792 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$20,648,181 were adequate to provide for these programs.
- Among major funds, the General Fund had \$19,428,322 in revenues and \$18,221,626 in expenditures. This resulted in an excess of revenues over expenditures in the amount of \$1,206,696 before other financing sources and uses. This excess is due to conservative budgeting during the fiscal year in order to increase the fund balance to be used for the renovation and construction of school facilities. The General Fund had net other financing uses of \$729,979 due primarily to the transfer of funds to Capital Project Funds to be used for renovation and construction. After net other financing uses, the General Fund's fund balance increased \$476,717 from the prior year.

- Capital assets, net of accumulated depreciation, increased by \$582,878.
- Long-term debt decreased by \$765,812 due primarily to principal payments made during the fiscal year on existing long-term debt.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-

wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund and is included in this report as required supplementary information.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and is included in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$14,164,144 as of June 30, 2005.

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. \$8,963,445 of the District's net assets (63%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, improvements other than buildings, mobile equipment, furniture and equipment and leased property under capital leases), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending. \$2,470,657 of the District's net assets (17%) reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service, capital improvements, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16th section investment purposes. \$2,730,042 of the District's net assets (20%) reflects its unrestricted net assets.

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

assets and the depreciation of capital assets.

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2005 and comparative data for the fiscal year ended June 30, 2004.

	June 30, 2005	June 30, 2004
Current assets	\$ 6,763,340	6,927,151
Other assets	284,908	86,121
Capital assets, net	18,039,469	17,456,591
Total assets	25,087,717	24,469,863
Current liabilities	1,708,100	1,711,359
Long-term debt outstanding	9,215,473	9,981,285
Total liabilities	10,923,573	11,692,644
Net assets:		
Invested in capital assets, net of related debt	8,963,445	7,582,781
Restricted	2,470,657	2,719,788
Unrestricted	2,730,042	2,474,650
Total net assets	\$ 14,164,144	12,777,219

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

- Capital assets increased from the previous fiscal year due primarily to the renovation and construction of school facilities and the purchase of various items of mobile equipment and furniture and equipment during the fiscal year.
- Long-term debt outstanding decreased from the previous fiscal year due primarily to the principal payments made during the fiscal year on existing long-term debt.
- Net assets invested in capital assets, net of related debt, increased from the previous fiscal year due primarily to the renovation and construction of school facilities and the purchase of capital assets during the fiscal year and the reduction of long-term debt related to the capital assets.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2005 were \$25,890,973. The total cost of all programs and services was \$24,131,092. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005 and comparative data for the fiscal year ended June 30, 2004.

	June 30, 2005	June 30, 2004
Revenues:		
Program revenues	\$ 5,242,792	\$ 5,283,941
General revenues	20,648,181	19,025,519
Total revenues	25,890,973	24,309,460
Expenses:		
Instruction	15,061,891	14,491,833
Support services	6,643,494	6,319,869
Non-instructional	1,986,060	1,777,759
Sixteenth section	18,571	2,575
Interest on long-term liabilities	421,076	460,280
Total expenses	24,131,092	23,052,316
Increase in net assets	\$ 1,759,881	\$ 1,257,144

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

- General revenues increased from the previous fiscal year due primarily to an increase in unrestricted state grants and contributions and sixteenth section sources.
- Instruction, support services and non-instructional expenses increased from the previous fiscal year due primarily to an increase in salaries and benefits resulting from the teacher pay increase.

Governmental activities. The following table presents, for the fiscal year ended June 30, 2005, the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	2005		2004	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 15,061,891	(12,544,681)	\$ 14,491,833	(11,929,012)
Support services	6,643,494	(5,788,061)	6,319,869	(5,333,729)
Non-instructional	1,986,060	(170,288)	1,777,759	(52,474)
Sixteenth section	18,571	35,806	2,575	7,120
Interest on long-term liabilities	421,076	(421,076)	460,280	(460,280)
Total expenses	\$ 24,131,092	(18,888,300)	\$ 23,052,316	(17,768,375)

- The net cost of governmental activities for fiscal year 2005 in the amount of \$18,888,300 was financed by general revenue, which is made up of primarily property taxes of \$3,352,438 and state revenue of \$16,490,957.
- Investment earnings accounted for \$136,068 of funding.
- Sixteenth section sources in the amount of 458,661 were generated during the fiscal year primarily from the sale of timber, leases and pro rata revenue from other districts.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed fiscal year June 30, 2005, its governmental funds reported a combined fund balance of \$5,493,225. The net change in fund balance for the fiscal year was an increase of \$71,620. \$3,854,588, or 70%, of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. The portion of the fund balance reported in the General Fund is available for spending at the District's discretion. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. The remaining fund balance of \$1,638,637, or 30%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for inventory, unemployment benefits, forestry improvements, debt service purposes and permanent fund purposes.

The General Fund is the principal operating fund of the District. The General Fund had \$19,428,322 in revenues and \$18,221,626 in expenditures. This resulted in an excess of revenues over expenditures in the amount of \$1,206,696 before other financing sources and uses. This excess is due to conservative budgeting during the fiscal year in order to increase the fund balance to be used for the renovation and construction of school facilities. The General Fund had net other financing uses of \$729,979 due primarily to the transfer of funds to Capital Project Funds to be used for renovation and construction. After net other financing uses, the General Fund's fund balance increased \$476,717 from the prior year. The net change in fund balance for the 16th Section Interest Fund for the fiscal year was an increase of \$670,754 due primarily to a transfer in from the Forestry Escrow Fund. The net change in fund balance for the Other Governmental Funds for the fiscal year was a decrease of \$1,075,851 due primarily to the deficiency of revenues over expenditures in the Interim Capital Expenditure Fund, Unemployment Compensation Fund, Forestry Escrow Fund and the Bond Issue Retirement Fund

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Significant budget revisions during the fiscal year are as follows:

- Budgeted amounts for revenue from state sources in the General Fund were decreased during the fiscal year. The original budget was overstated.
- Budgeted amounts for revenue from federal sources in the General Fund were increased during the fiscal year. A federal grant was established after the original budget was approved.
- Budgeted amounts for instruction expenditures in the General Fund were decreased during the fiscal year. The original budget was overstated.
- Budgeted amounts for support services expenditures in the General Fund were increased during the fiscal year due primarily to an increase in transportation costs, the cost of insurance and an increase in utilities.
- Budgeted amounts for transfers into the 16th Section Interest Fund were increased to reflect the transfer of funds from the Forestry Escrow Fund.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2005, the District's total capital assets, before depreciation, were \$28,369,525, including land, construction in progress, buildings, improvements other than buildings, mobile equipment, furniture and equipment and leased property under capital leases. This amount represents a gross increase of \$1,588,376 from the previous year. This increase is due to the renovation and construction of school facilities during the fiscal year and the purchase of various items of mobile equipment and furniture and equipment. Total depreciation expense for the year was \$668,811. Total accumulated depreciation as of June 30, 2005 was \$10,330,056, resulting in total net assets of \$18,039,469.

Debt Administration. At June 30, 2005, the District had \$9,215,473 in general obligation bonds and other long-term debt outstanding, of which \$1,057,058 is due within one year. During the fiscal year, the district obtained a three mill notes payable in the amount of \$251,000. The district also made principal payments on existing long-term debt in the amount of \$1,047,914.

CURRENT ISSUES

The George County School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The millage has not increased or decreased significantly from the previous fiscal year. The District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District has increased 139 students, or 4%, from the previous fiscal year. The budget for the next fiscal year has taken into account this increase in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

GEORGE COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

GEORGE COUNTY SCHOOL DISTRICT

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George County School District
Statement of Net Assets
June 30, 2005

Exhibit A

ASSETS

Cash and Cash Equivalents	\$	5,556,888
Due from other governments		1,169,998
Inventories		36,454
Restricted Assets		284,908
Capital Assets, net		18,039,469

Total Assets

25,087,717

LIABILITIES

Accounts payable and accrued liabilities		389,968
Due to other governments		1,165,055
Interest payable on long term debt		153,077
Long Term Liabilities (due within one year)		
Capital related liabilities		1,053,327
Non-capital liabilities		3,731
Long Term Liabilities (due beyond one year)		
Capital related liabilities		8,022,697
Non-capital liabilities		135,718

Total Liabilities

10,923,573

NET ASSETS

Invested in capital assets, net of related debt		8,963,445
Restricted net assets		
Expendable:		
School based activities		1,021,551
Debt service		698,756
Forestry improvements		43,412
Unemployment benefits		620,817
Non-Expendable:		
Sixteenth section		86,121
Unrestricted		2,730,042

Total Net Assets

14,164,144

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

George County School District
Statement of Activities
For the Year Ended June 30, 2005

Exhibit B

Functions/Programs	Expenses	Program Revenues			Total	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 15,061,891	\$ 338,557	\$ 1,980,653	\$ 198,000	\$	(12,544,681)
Support Services	6,643,494	-	855,433	-		(5,788,061)
Noninstructional services	1,986,060	529,042	1,286,730	-		(170,288)
Sixteenth section	18,571	54,377				35,806
Interest and other expenses on long-term liabilities	421,076					(421,076)
Total Governmental Activities	24,131,092	921,976	4,122,816	198,000		(18,888,300)
General Revenues:						
Taxes:						
Property taxes - general purposes						2,873,252
Property taxes - debt service						479,186
Unrestricted grants and contributions						
State						16,490,957
Federal						119,486
Unrestricted investment earnings						136,068
Sixteenth section sources						458,661
Other						90,571
Total General Revenues						20,648,181
Change in Net Assets						1,759,881
Net Assets - Beginning						12,777,219
Prior Period Adjustments						(372,956)
Net Assets - Restated						12,404,263
Net Assets - Ending						\$ 14,164,144

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

George County School District
 Balance Sheet - Governmental Funds
 For the Year Ended June 30, 2005

Exhibit C

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest Fund		
ASSETS				
Cash and cash equivalents	\$ 3,477,311	763,834	1,401,864	5,643,009
Cash with fiscal agent			198,787	198,787
Due from other governments	299,697	9,328	858,368	1,167,393
Due from other funds	362,740		51,142	413,882
Inventories			36,454	36,454
Total assets	<u>4,139,748</u>	<u>773,162</u>	<u>2,546,615</u>	<u>7,459,525</u>
LIABILITIES & FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	222,987	250	166,731	389,968
Due to other funds	1,047,270		529,062	1,576,332
Total liabilities	<u>1,270,257</u>	<u>250</u>	<u>695,793</u>	<u>1,966,300</u>
Fund balances:				
Reserved for:				
Inventory			36,454	36,454
Unemployment benefits			620,817	620,817
Forestry improvements			43,412	43,412
Debt service purposes			851,833	851,833
Permanent fund purposes			86,121	86,121
Unreserved:				
Undesignated, reported in:				
General fund	2,869,491			2,869,491
Special revenue funds		772,912	212,185	985,097
Total fund balances	<u>2,869,491</u>	<u>772,912</u>	<u>1,850,822</u>	<u>5,493,225</u>
Total liabilities & fund balances	<u>\$ 4,139,748</u>	<u>773,162</u>	<u>2,546,615</u>	<u>7,459,525</u>

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

George County School District
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 June 30, 2005

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,493,225
Amounts reported for net assets in the Statement of Net Assets (Exhibit A) are different because:	
1. Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital Assets	28,369,525
Less Accumulated Depreciation	<u>(10,330,056)</u>
	18,039,469
2. Liabilities not due and payable in the current period are not reported in the funds, as follows:	
Long-term liabilities	(9,215,473)
Accrued interest on debt	<u>(153,077)</u>
	(9,368,550)
Total Net Assets - Governmental Activities	<u><u>\$ 14,164,144</u></u>

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

George County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds
For the Year Ended June 30, 2005

Exhibit D

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest Fund		
Revenues:				
Local sources	\$ 3,245,703		1,174,341	4,420,044
State sources	16,017,700		1,278,763	17,296,463
Federal sources	164,919		3,469,877	3,634,796
Sixteenth section sources		42,931	485,909	528,840
Total revenues	<u>19,428,322</u>	<u>42,931</u>	<u>6,408,890</u>	<u>25,880,143</u>
Expenditures:				
Instruction	12,215,386		2,343,221	14,558,607
Support services	5,707,955		918,921	6,626,876
Non-instructional services	70,453		1,889,194	1,959,647
Sixteenth section		364	18,207	18,571
Facilities acquisition and construction			1,425,423	1,425,423
Debt Service:				
Principal	212,914		835,000	1,047,914
Interest	14,918		415,194	430,112
Total expenditures	<u>18,221,626</u>	<u>364</u>	<u>7,845,160</u>	<u>26,067,150</u>
Excess (deficiency) of revenues over expenditures	<u>1,206,696</u>	<u>42,567</u>	<u>(1,436,270)</u>	<u>(187,007)</u>
Other Financing Sources (Uses):				
Proceeds of loans	251,000			251,000
Insurance loss recoveries	8,409			8,409
Transfers in	2,560,788	688,926	2,140,360	5,390,074
Other financing sources			2,421	2,421
Transfers out	(3,546,973)	(60,739)	(1,782,362)	(5,390,074)
Other financing sources and uses	(3,203)			(3,203)
Total Other Financing Sources (uses)	<u>(729,979)</u>	<u>628,187</u>	<u>360,419</u>	<u>258,627</u>
Net Change in Fund Balances	<u>476,717</u>	<u>670,754</u>	<u>(1,075,851)</u>	<u>71,620</u>
Fund balances:				
July 1, 2004, as previously reported	2,582,125	102,158	2,779,743	5,464,026
Prior period adjustment	(189,351)		160,869	(28,482)
July 1, 2004, as adjusted	<u>2,392,774</u>	<u>102,158</u>	<u>2,940,612</u>	<u>5,435,544</u>
Increase (Decrease) in reserve for inventory			(13,939)	(13,939)
June 30, 2004	<u>\$ 2,869,491</u>	<u>\$ 772,912</u>	<u>\$ 1,850,822</u>	<u>\$ 5,493,225</u>

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

George County School District
 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances to
 Statement of Activities
 For the Year Ended June 30, 2005

Exhibit D-1

	<u>Amounts</u>
Net change in fund balances	\$ 71,620
Amounts reported in the Statement of Activities (Exhibit B) are different because:	
Capital outlays are reported as expenditures in governmental funds but are not reported as expenses in the Statement of Activities. Instead, costs associated with capital assets are capitalized in the Statement of Net Assets. (+)	1,597,948
Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over their useful lives in the Statement of Activities. (-)	(668,811)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in 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 a combination of the following items:	
Losses on the sale of capital assets (-)	(913)
The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets. (-)	(251,000)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. (+)	1,047,914
Under the modified accrual basis of accounting used in 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 of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Compensated Absences Increases	(31,974)
Accrued interest on debt Decreases	9,036
An increase (+) / decrease (-) in the reserve for inventory is reported as a direct increase/decrease to the fund balance in the governmental funds but is a decrease/increase in noninstructional service expenses in the Statement of Activities.	(13,939)
Change in net assets of governmental activities	<u>\$ 1,759,881</u>

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

George County School District
Statement of Fiduciary Obligations
Agency Funds
June 30, 2005

Exhibit E

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 259,370
Due from other funds	<u>1,165,055</u>
Total Assets	<u><u>1,424,425</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	1,339,892
Due to student clubs	81,928
Due to other funds	<u>2,605</u>
Total Liabilities	<u><u>\$ 1,424,425</u></u>

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

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2005

Notes to Financial Statements

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five-member board which each member was elected by the citizens of each defined county district.

B. Basis of Presentation.

The school district'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 more detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district 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 school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore 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. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

Fund Financial Statements:

Fund financial statements of the school district 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 two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2005

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Funds financial statements. 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 takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

Sixteenth Section Interest Fund— This is a Special Revenue Fund. Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

Permanent Funds - Permanent Funds are used to account for resources that are legally restricted to

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2005

the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

FIDUCIARY FUNDS

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

G. Investments.

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

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than 12 months when acquired.

Investments are reported at fair value.

H. Inventories and Prepaid Items.

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis).

The costs of governmental fund type inventories are reported as expenditures when purchased.

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2005

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

I. Capital Assets.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

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

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, 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 Statement of Net Assets, long-term debt and other long-term liabilities are reported as liabilities in the governmental activities column. See Note 5 for details.

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2005

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 4 for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

Government-wide Financial Statements:

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

1. 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, mortgages, notes or other borrowings that are attributable to the acquisition, constructions or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet 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 further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

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

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

Reserved for unemployment benefits - An account that represents the fund balance of the unemployment compensation revolving fund which is legally restricted for the payment of unemployment benefits.

Reserved for forestry improvements - An account that represents the fund balance of the sixteenth section forestry escrow fund which is legally restricted for improvements to sixteenth section forest lands.

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2005

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

Reserved for permanent fund purposes – An account that represents the portion of the fund balance of the sixteenth section principal fund which is legally restricted for investment purposes.

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

Revenues from the adequate education program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

(2) Changes in Accounting Standards

As required, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures-an amendment of GASB Statement No. 3* for the current fiscal year. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

(3) Cash and Cash Equivalents.

The collateral for public entities' deposits in financial institutions are 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,

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2005

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.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$5,643,009 and \$259,370 respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$5,556,888 and Restricted Assets \$284,908. The restricted assets represents the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's program. The bank balance was \$5,902,380.

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due To/Due From Other Funds

Major Funds:	Due From	Due To
General Fund	\$ 362,740	1,047,270
Other Governmental Funds:	1,216,197	531,667
Total:	<u>\$ 1,578,937</u>	<u>1,578,937</u>

B. Transfers In/Out

Major Funds:	Transfer In	Transfer Out
General Fund	\$ 2,560,788	3,546,973
Sixteenth Section Interest	688,926	60,739
Other Governmental Funds:	2,140,360	1,782,362
	<u>\$ 5,390,074</u>	<u>5,390,074</u>

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2005

(5) Capital Assets.

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

	Balance 07/01/04	Additions	Retirements	Completed Construction	Adjustments	Balance 06/30/05
<u>Non-depreciable capital assets:</u>						
Land	\$ 85,260					85,260
Construction in progress	268,426	1,342,249		(460,913)	(5,764)	1,143,998
Total non-depreciable capital assets	353,686	1,342,249	-	(460,913)	(5,764)	1,229,258
<u>Depreciable capital assets:</u>						
Buildings	21,760,758			460,913	12,724	22,234,395
Improvements other than buildings	221,554	27,520				249,074
Mobile equipment	2,397,139	221,970			40,002	2,659,111
Furniture and equipment	590,285	6,209	(17,534)		(39,000)	539,960
Leased property under capital leases	1,457,727					1,457,727
Total depreciable capital assets	26,427,463	255,699	(17,534)	460,913	13,726	27,140,267
<u>Less accumulated depreciation for:</u>						
Buildings	(7,076,818)	(359,617)			(6,146)	(7,442,581)
Improvements other than buildings	(97,484)	(9,963)				(107,447)
Mobile equipment	(1,408,653)	(162,468)			(13,695)	(1,584,816)
Furniture and equipment	(274,151)	(56,331)	16,621		(143,085)	(456,946)
Leased property under capital leases	(467,452)	(80,432)			(190,382)	(738,266)
Total accumulated depreciation	(9,324,558)	(668,811)	16,621	-	(353,308)	(10,330,056)
Total depreciable capital assets, net	17,102,905	(413,112)	(913)	460,913	(339,582)	16,810,211
Governmental activities capital assets, net	\$ 17,456,591	929,137	(913)	-	(345,346)	18,039,469

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2005

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 488,416
Support Services	171,492
Non-instructional	8,903
Total depreciation expense	<u>\$ 668,811</u>

Adjustments:

Commitments under construction contracts at June 30, 2005 are summarized as follows:

	<u>Remaining Commitment</u>	<u>Required Future Financing</u>
Agricola Elementary Construction Project	\$ 145,377	-
Total	<u>\$ 145,377</u>	<u>-</u>

Adjustments: Construction in Progress included expenses for an under threshold construction project, misclassified assets, assets over thresholds not depreciated, and assets under thresholds depreciated. An adjustment was also made to correct debt balance to confirmed balances.

(6) Long-term liabilities.

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

	<u>Balance 07/01/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjust</u>	<u>Balance 06/30/05</u>	<u>Amounts due within one year</u>
A. General obligation refunded bonds payable	\$ 3,315,000		(305,000)		3,010,000	320,000
B. Limited obligation bonds payable	5,900,000		(290,000)		5,610,000	305,000
C. Three mill-notes payable	240,000	251,000	(240,000)		251,000	251,000
D. Obligations under capital leases	418,810		(212,914)	(872)	205,024	177,327
E. Compensated absences payable	107,475	31,974			139,449	3,731
Total	<u>\$ 9,981,285</u>	<u>282,974</u>	<u>(1,047,914)</u>	<u>(872)</u>	<u>9,215,473</u>	<u>1,057,058</u>

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2005

A. General obligation refunded bonds payable:

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds	4.1 to 4.4%	02/01/99	01/31/13	<u>\$ 4,915,000</u>	<u>3,010,000</u>

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 320,000	128,403	448,403
2007	335,000	115,283	450,283
2008	345,000	101,380	446,380
2009	370,000	86,890	456,890
2010	385,000	71,165	456,165
2011-2015	<u>1,255,000</u>	<u>111,160</u>	<u>1,366,160</u>
Total	<u>\$ 3,010,000</u>	<u>614,281</u>	<u>3,624,281</u>

The amount of bonded indebtedness that can be incurred by the school limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2005, the amount of outstanding bonded indebtedness was equal to 3.09% of property assessments as of October 1, 2004. This debt will be retired from the Bond Issue Retirement Fund.

B. Limited obligations bonds payable:

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds series, 1998	4.3 to 5.5%	03/01/98	08/01/18	<u>\$ 6,910,000</u>	<u>5,610,000</u>

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2005

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 305,000	253,153	558,153
2007	315,000	237,993	552,993
2008	320,000	224,340	544,340
2009	335,000	210,090	545,090
2010	350,000	195,020	545,020
2011-2015	1,985,000	719,155	2,704,155
2016-2018	2,000,000	183,821	2,183,821
Total	<u>\$ 5,610,000</u>	<u>2,023,572</u>	<u>7,633,572</u>

C. Three mil-notes payable:

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note payable	3%	09/07/04	09/06/06	<u>\$ 251,000</u>	<u>251,000</u>

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 251,000	6,275	257,275
Total	<u>\$ 251,000</u>	<u>6,275</u>	<u>257,275</u>

D. Obligations under capital leases

The school has entered into a lease agreement that qualified as a capital lease for accounting purposes. Leased property under this lease is compose of

1. Nineteen copiers
2. Cooling and heating systems at high school and middle school.
3. Bleachers and lighting at the athletic complex.
4. Desks and cafeteria equipment at the high school.

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2005

The various operations available to the lessee for these leases are as follows:

The district may retire the lease early upon which time title will vest the district.

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 177,327	5,425	182,752
2007	27,698	605	28,303
Total	<u>\$ 205,024</u>	<u>6,030</u>	<u>211,055</u>

E. Compensated absences payable.

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

(7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2005, 2004 and 2003 were \$1,351,503, \$1,292,317, and \$1,174,600, respectively, which equaled the required contributions for each year.

(8) Sixteenth Section Lands.

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

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2005

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

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2006	\$ 32,892
2007	28,685
2008	21,923
2009	15,598
2010	10,021
2011-2015	49,443
2016-2020	49,278
2021-2025	49,278
2026-2030	49,278
	<hr/>
Total	<u>\$ 306,396</u>

(9) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B – Statement of Activities

<u>Explanation</u>	<u>Amount</u>
An adjustment to correct a prior year error in recording an asset or liability.	\$ 372,956
	<hr/>
	<u>\$ 372,956</u>

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

<u>Major funds:</u>	<u>Explanation(s)</u>	<u>Amount</u>
General Fund	An adjustment to correct a prior year error in recording an asset or liability.	\$ (189,351)
Other Governmental Funds	An adjustment to correct a prior year error in recording an asset or liability.	160,869
	Total	<u>\$ (28,482)</u>

GEORGE COUNTY SCHOOL DISTRICT

(10) Litigation.

George County School District is involved in a lawsuit filed in the United States District Court, Southern Division of Mississippi. Hearings were postponed due to Hurricane Katrina and the matter has not been rescheduled. The school district does have sufficient insurance; however, at this time no estimates can be made of the outcome of this lawsuit.

The school district has been advised of two other claims; however, no lawsuits have been filed. The school district has insurance to cover these claims as well. However, the district will vigorously defend if the claims do result in lawsuits. No estimate can be made at this time of the possible outcome of these claims.

(11) Subsequent Events.

Hurricane Katrina did significant damage to the George County School District buildings. Emergency repairs were authorized in September, totaling \$268,440. The school district anticipates insurance reimbursement and Federal Emergency Management Assistance funds to help with payment of these repairs.

George County is planning to borrow \$1.4 million dollars to build 10 classrooms at George County High School and purchase four buses. The bid opening for the classrooms is scheduled for December 2005. In order to finance this project, the school district plans to issue three mill notes for the next six years.

(12) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 127 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Bancorp South in Jackson. The funds in the trust account are used to pay any claim up to \$400,000. For a claim exceeding \$400,000, MSBAWCT has insurance, which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

GEORGE COUNTY SCHOOL DISTRICT

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GEORGE COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Local sources	\$ 3,283,510	\$ 3,245,703	\$ 3,245,703	\$ (37,807)	\$ -
Intermediate sources	4,000	-	-	(4,000)	-
State sources	16,369,303	15,965,581	16,017,700	(403,722)	52,119
Federal sources	77,000	217,038	164,919	140,038	(52,119)
Total revenues	19,733,813	19,428,322	19,428,322	(305,491)	-
EXPENDITURES					
Instruction	12,618,750	12,215,498	12,215,386	403,252	112
Support services	5,376,639	5,708,141	5,707,955	(331,502)	186
Noninstructional services	-	71,777	70,453	(71,777)	1,324
Debt service:					
Principal	211,746	227,834	212,914	(16,088)	14,920
Interest	16,086	-	14,918	16,086	(14,918)
Total expenditures	18,223,221	18,223,250	18,221,626	(29)	1,624
Excess (deficiency) of revenues over expenditures	1,510,592	1,205,072	1,206,696	(305,520)	1,624
OTHER FINANCING SOURCES (USES)					
Proceeds of loans	252,000	251,000	251,000	(1,000)	-
Insurance loss recoveries	-	8,409	8,409	8,409	-
Transfers in	2,207,603	2,560,788	2,560,788	353,185	-
Transfers out	(3,740,768)	(3,497,808)	(3,546,973)	242,960	(49,165)
Other financing uses	-	-	(3,203)	-	(3,203)
Total other financing sources and uses	(1,281,165)	(677,611)	(729,979)	603,554	(52,368)
Net change in fund balances	229,427	527,461	476,717	298,034	(50,744)
Fund balances:					
July 1, 2004, as previously reported			2,582,125		
Prior period adj. & reclassifications			(189,351)		
July 1, 2004, as restated			2,392,774		
June 30, 2005			\$ 2,869,491		

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

George County School District
 16th Section Interest Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2005

Schedule I-B

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Sixteenth section sources	\$ 41,000	\$ 46,497	\$ 42,931	\$ 5,497	\$ (3,566)
Total revenues	41,000	46,497	42,931	5,497	(3,566)
EXPENDITURES					
Sixteenth section	-	364	364	(364)	-
Total expenditures	-	364	364	(364)	-
Excess (deficiency) of revenues over expenditures	41,000	46,133	42,567	5,133	(3,566)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	688,926	688,926	688,926	-
Transfers out	(41,000)	(60,739)	(60,739)	(19,739)	-
Total other financing sources and uses	(41,000)	628,187	628,187	669,187	-
Net change in fund balances	-	674,320	670,754	674,320	(3,566)
Fund balances:					
July 1, 2004			102,158		
June 30, 2005			\$ 772,912		

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

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Required Supplemental Information
For the Year Ended June 30, 2005

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

GEORGE COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

GEORGE COUNTY SCHOOL DISTRICT

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GEORGE COUNTY SCHOOL DISTRICT
 Schedule of Expenditure of Federal Awards
 For the Year Ended June 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$ 99,347
Child nutrition cluster:		
School breakfast program	10.553	330,694
National school lunch program	10.555	831,963
Special supplemental nutrition program for women, infants and children	10.557	706
Summer food program for children	10.559	10,416
Total child nutrition cluster		<u>1,173,779</u>
Total U. S. Department of Agriculture		<u>1,273,126</u>
<u>U. S. Department of Education</u>		
Direct Programs:		
Twenty-first century community learning centers	84.287	250,707
Total		<u>250,707</u>
Passed-through Mississippi Department of Education:		
Title I-grants to local educational agencies	84.010	777,562
Vocational education-basic grants to states	84.048	45,804
Safe and drug-free schools and communities-state grants	84.186	22,857
Improving teacher quality state grants	84.367	262,982
Rural education achievement program	84.358	18,501
Grants for state assessments and related activities	84.369	2,050
Total		<u>1,129,756</u>
Special educational cluster:		
Special education-grants to states	84.027	758,516
Special education-preschool grants	84.173	45,551
Total		<u>804,067</u>
Total passed-through Mississippi Department of Education		<u>1,933,823</u>
Total U. S. Department of Education		<u>2,184,530</u>
<u>U. S. Department of Defense</u>		
Direct Program:		
Reserve Officers' training corps	12.XXX	45,433
Total		<u>45,433</u>
Total for All Federal Awards		<u>\$ 3,503,089</u>

NOTES TO SCHEDULE

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

GEORGE COUNTY SCHOOL DISTRICT
 Schedule of Instructional, Administrative and Other Expenditures – Government Funds
 For the Year Ended June 30, 2005

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 18,636,999	13,425,593	1,672,841	3,538,565
Other	7,430,150	1,133,014	135,315	6,161,821
Total	26,067,149	14,558,607	1,808,156	9,700,386
 Total number of students	 3,768			
 Cost per student	 \$ 6,924	 3,864	 480	 2,580

For purposes of this schedule, the following columnar descriptions are applicable:

Instruction - includes that activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000 functional codes)

Administrative - includes expenditures for the following functions: Support Services - General Administration (2300s); Support Services - School Administration (2400s); and Support Services - Business (2500s)

Other - includes all expenditure functions not included in Instruction or Administrative

GEORGE COUNTY SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

GEORGE COUNTY SCHOOL DISTRICT

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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

December 9, 2005

Superintendent and School Board
George County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the George County School District as of and for the year ended June 30, 2005, which collectively comprise George County School District's basic financial statements and have issued our report thereon dated December 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters 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 opinion, could adversely affect the school district's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the Schedule of Findings and Questioned Costs as Finding 05-01, 05-02, and 05-03.

A material weakness is a 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 in amounts that would be material in relation to the 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 believe that none of the reportable condition referred to above is a material weakness.

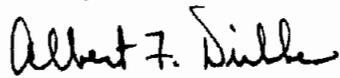
Compliance and Other Matter

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However,

providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the school district in a separate letter dated December 9, 2005, which is included in this report.

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

Sincerely,



Albert F. Dribben, CPA
President
Dribben & Associates, Ltd.
McComb, Mississippi

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

December 9, 2005

Superintendent and School Board
George County School District

Compliance

We have audited the compliance of the George County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The school district's major federal programs are identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, George County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

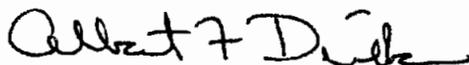
Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 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. We did not note any matters involving internal control over compliance and its operation that we consider to be material weaknesses.

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

Sincerely,



Albert F. Dribben, CPA
President
Dribben & Associates, Ltd.
McComb, Mississippi

GEORGE COUNTY SCHOOL DISTRICT

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

GEORGE COUNTY SCHOOL DISTRICT

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

December 9, 2005

Superintendent and School Board
George County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the George County School District as of and for the year ended June 30, 2005, which collectively comprise George County School District's basic financial statements and have issued our report thereon dated December 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

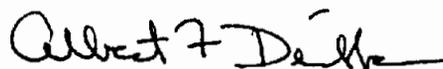
Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program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

The results of our procedures performed to test compliance with the requirements of Section 97-61-33(3)(a)(iii), Miss Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$143,915 classroom supply funds carried over from previous years.

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

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

Sincerely,



Albert F. Dribben, CPA
President
Dribben & Associates, Ltd.
McComb, Mississippi

GEORGE COUNTY SCHOOL DISTRICT

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GEORGE COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GEORGE COUNTY SCHOOL DISTRICT

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GEORGE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|----|---|----------------|
| 4 | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5 | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Reportable conditions(s) identified that are not considered to be material weaknesses? | No |
| 6 | Any audit finding(s) reported as required by Section ____ .510(s) of Circular A-133? | No |
| 7 | Federal programs identified as major programs: | |
| | a. Special Education Cluster | |
| | CFDA#: 84.027 | |
| | CFDA#: 84.173 | |
| | b. Improving Teacher Quality State Grants | |
| | CFDA#: 84.367 | |
| 8 | The dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |
| 9 | Auditee qualified as low-risk auditee? | Yes |
| 10 | Prior fiscal year audit finding(s) 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 |

GEORGE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Section 2: Financial Statement Findings

Reportable Conditions Not Considered to be Material Weaknesses.

05-01. Finding

During our tests of the general fixed assets, we found the following:

- a. Several assets were misclassified as to type of asset.
- b. Several assets were being depreciated that were under the threshold limitation, while some assets above the threshold were not being depreciated.
- c. Several assets had incorrect useful lives and salvage values.

Recommendation

We recommend that the following procedures be completed:

- a. The assets listing of the school district be reviewed and corrections made to classification.
- b. The assets listing of the school district be reviewed and corrections made to only depreciate those assets above the designated threshold amounts.
- c. The assets listing of the school district be reviewed and corrections made to the useful live and salvage values to coincide with the *Financial Accounting Manual for Mississippi Public School Districts*.

05-02. Finding

In our tests of activity and club fund revenues, we noted the following:

- a. Numerous instances of deposits not being made timely.
- b. Instances of the remitter's name not being recorded on the receipt.
- c. Instances of the type of payment (cash or check) not being recorded on the receipts.
- d. Instances of receipts not being signed or initialed by person receiving the money.

Recommendation

We recommend that the school district adopt policies and procedures to increase internal controls over the receipt of activity and club fund monies and at a minimum, the requirements of the *Financial Accountant Manual for Mississippi Public School Districts* should be implemented.

GEORGE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

05-03. Finding

In our tests of expenditures from the school district's clubs and activity funds, we noted the following:

- a. Numerous instances of invoices not being marked "PAID" or cancelled by marking with check number and payment date.
- b. Instances of no purchase requisition or purchase order being used to show approval for purchase by supervisor.
- c. Instances of no receiving report or record of receipt by placing date and signature or initials of person who inspected order for completeness and denoting approval of invoice for payment.
- d. Instances of invoices not paid timely.
- e. Two instances of invoices exceeding purchase order amount. This could cause a problem with exceeding the cash or fund balance, both of which are in violation of state law.
- f. Five instances of purchase orders without dates.
- g. One instance of a purchase order without a signature denoting approval to purchase.
- h. One instance of a claim paid without an invoice.
- i. One instance of invoice date prior to purchase order date.

Recommendations:

We recommend that the school district adopt policies and procedures to increase internal controls over the disbursement of activity and club fund monies; and at a minimum, the requirements of the *Financial Accounting Manual for Mississippi Public School Districts* should be implemented.

Section 3: Federal Award Findings and Questioned Costs

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

GEORGE COUNTY SCHOOL DISTRICT

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GEORGE COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

GEORGE COUNTY SCHOOL DISTRICT

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George County Schools

Donnie Howell, Superintendent

5152 Main Street

Lucedale, MS 39452

Phone: 601-947-6993

Fax: 601-947-8805

CORRECTIVE ACTION PLAN

March 3, 2006

Dribben & Associates, Ltd
P.O. Box 1411
McComb, MS 39649-1411

Gentlemen:

George County School District respectfully submits the following corrective action plan for the year ended June 30, 2005.

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

Section 2: Financial Statement Findings

Reportable conditions not considered to be material weaknesses:

05-01.

Corrective Action Planned:

1. Stu White, Business Manager (601) 947-6993

2. Correction Action Planned:

The District has notified its software company about the assets misclassification, depreciation and the incorrect useful lives and salvage values.

3. Anticipated Completion Date:

The errors have been corrected. Results will be reflected in the District's books at June 30, 2006.

05-02.

Corrective Action Planned:

1. Stu White, Business Manager (601) 947-6993

2. Correction Action Planned:

The District will make greater efforts to insure that the policies and procedures are carried out in the activity and club fund revenues.

3. Anticipated Completion Date:

The implementation of procedures is immediate and on going. Results of the compliance will be reflected in the year ending June 30, 2006.

05-03.

Corrective Action Planned:

1. Stu White, Business Manager (601) 947-6993

2. Correction Action Planned:

The District will make greater efforts to insure that the policies and procedures are carried out in the area of student clubs and activity funds.

3. Anticipated Completion Date:

The implementation of procedures is immediate and on going. Results of the compliance will be reflected in the year ending June 30, 2006.

Sincerely,



Stuart White
Business Manager