

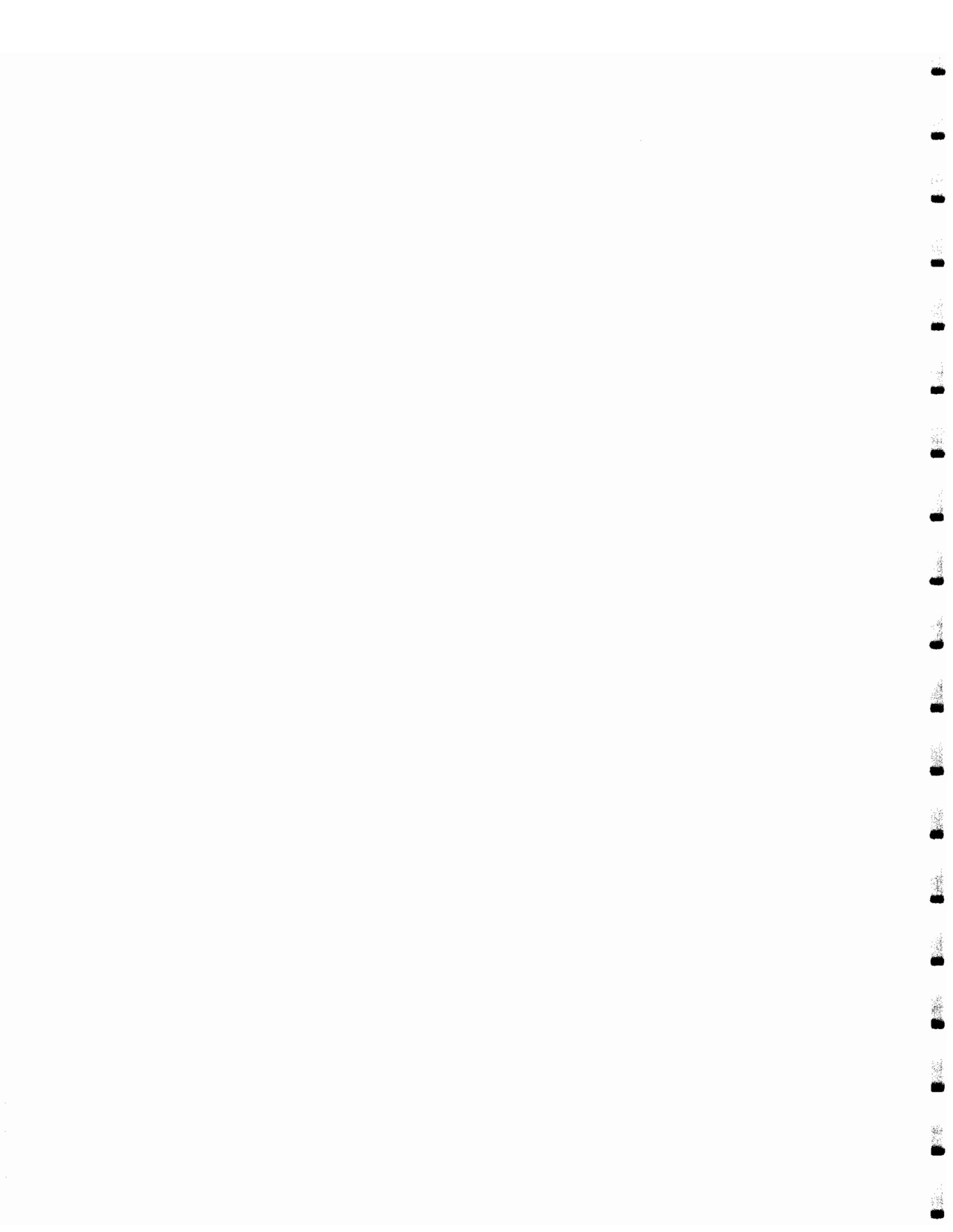


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GEORGE COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2006

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 7, 2006

Superintendent and School Board
George County School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the George County School District as of and for the year ended June 30, 2006, 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, 2006, 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.

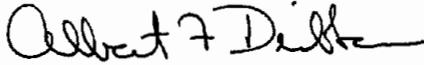
In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2006, on our consideration of the George County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 19 and the Budgetary Comparison Schedule and corresponding notes on pages 47 through 50 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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local*

Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for purposes of additional analysis. 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".

Albert F. Dribben, CPA
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
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

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, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$2,124,813 which represents a 15% increase from fiscal year 2005. This increase in net assets is primarily due to the following: 1) federal revenue of approximately \$1,500,000
- General revenues accounted for \$24,029,731 in revenue, or 77% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,019,252, or 23% of total revenues.
- The District had \$29,006,356 in expenses; only \$7,019,252 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$24,029,731 were adequate to provide for these programs.
- Among major funds, the General Fund had \$21,022,273 in revenues and \$21,988,613 in expenditures. After net other financing sources in the amount of \$2,125,717, the net change in fund balance for the General Fund was an increase of \$1,159,377 from the previous year. This increase is due primarily to federal revenue of approximately \$1,500,000 under the Displaced Students Grant and Restart School Grant which resulted from Hurricane Katrina. Salary related and other expenditures normally incurred in the General Fund were reported in the Displaced Students Grant Funds and the Restart School Grant Fund and federal sources were received to cover those expenditures.
- Capital assets, net of accumulated depreciation, increased by \$1,201,406 due primarily to the renovation and construction of school facilities during the fiscal year and the purchase of various buses and various other items of equipment.
- Long-term debt decreased by \$630,537.

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.

GEORGE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

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.

The government-wide financial statements can be found on pages 23 and 24 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 26 and 28, respectively, of this report.

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

The basic governmental fund financial statements can be found on pages 25 -28 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own

GEORGE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 29.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31- 45 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 47-50 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures for governmental funds can be found on pages 53 and 54, respectively, of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$16,288,957 as of June 30, 2006.

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. \$9,537,787 of the District's net assets (59%) 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. \$2,635,296 of the District's net assets (16%) reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16th section investment purposes. \$4,115,874 of the District's net assets (25%) 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, 2006 and comparative data for the fiscal year ended June 30, 2005.

GEORGE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

	Net Assets		Percentage
	June 30, 2006	June 30, 2005	Change
Current assets	\$ 9,198,004	6,763,340	36.0 %
Other assets	121,601	284,908	(57.3) %
Capital assets, net	19,240,875	18,039,469	6.7 %
Total assets	28,560,480	25,087,717	13.8 %
Current liabilities	2,425,513	1,708,100	42.0 %
Long-term debt outstanding	9,846,010	9,215,473	6.8 %
Total liabilities	12,271,523	10,923,573	12.3 %
Net assets:			
Invested in capital assets, net of related debt	9,537,787	8,963,445	6.4 %
Restricted	2,635,296	2,470,657	6.7 %
Unrestricted	4,115,874	2,730,042	50.8 %
Total net assets	\$ 16,288,957	14,164,144	15.0 %

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 an increase in amounts due from other governments. At fiscal year end, the District reported amounts due from federal sources of approximately \$750,000 related to the Displaced Students Grant and Restart School Grant resulting from Hurricane Katrina. The District also reported a large amount due from local sources in the General Fund at fiscal year end.
- Capital assets increased from the previous fiscal year due primarily to the construction of school facilities and the purchase of school buses and other items of equipment during the fiscal year.
- Current liabilities increased from the previous fiscal year due primarily to an increase in accounts payable and accrued liabilities.
- Long-term debt outstanding increased from the previous fiscal year. The District obtained a three mill note payable during the fiscal year and the proceeds will be used for the construction of 10 new classrooms at the high school. The District also entered into a capital lease during the fiscal year.
- Unrestricted net assets increased from the previous fiscal year due primarily to the increase in fund balance of the General Fund.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2006 were \$31,048,983. The total cost of all programs and services was \$29,006,356. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006 and June 30, 2005, respectively.

GEORGE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

	Net Assets		Percentage Change
	June 30, 2006	June 30, 2005	
Revenues:			
Program revenues:			
Charges for services	\$ 745,295	921,976	(19.2) %
Operating grants and contributions	6,273,957	4,122,816	52.2 %
Charges for services	-	198,000	(100.0) %
General revenues:			
Property taxes	3,758,901	3,352,438	12.1 %
Grants and contributions not restricted	17,522,923	16,610,443	5.5 %
Charges for services	2,747,907	685,300	301.0 %
Total revenues	<u>31,048,983</u>	<u>25,890,973</u>	19.9 %
Expenses:			
Instruction	16,548,386	15,061,891	9.9 %
Support services	9,954,802	6,643,494	49.8 %
Non-instructional	2,084,785	1,986,060	5.0 %
Sixteenth section	9,056	18,571	(51.2) %
Interest and other expenses on long-term liabilities	409,327	421,076	(2.8) %
Total expenses	<u>29,006,356</u>	<u>24,131,092</u>	20.2 %
Increase in net assets	2,042,627	1,759,881	16.1 %
Net Assets, July 1	14,164,144	12,777,219	10.9 %
Prior Period Adjustments	82,186	(372,956)	
Net Assets, Restated, July 1	<u>14,246,330</u>	<u>12,404,263</u>	14.9 %
Net Assets, June 30	<u>\$ 16,288,957</u>	<u>14,164,144</u>	15.0 %

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

- Program revenues increased from the previous fiscal year due primarily to an increase in operating grants and contributions. As a result of Hurricane Katrina, the District was entitled to approximately \$680,000 in Displaced Students Grant funds and approximately \$820,000 in Restart School Grant funds.
- General revenues increased from the previous fiscal year due primarily to an increase in unrestricted state grants and contributions and other general revenues, which included insurance loss recoveries in the amount of \$2,334,768 resulting from damages caused by Hurricane Katrina and a fire at George County Middle School.
- Instruction expenses increased from the previous fiscal year due primarily to the 8% increase in teacher salaries.
- Support services expenses increased from the previous fiscal year due primarily to expenditures incurred related to the repair of school facilities resulting from damages caused by Hurricane Katrina and a fire at George County Middle School.

GEORGE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt for the fiscal year ending June 30, 2006 and 2005, respectively. 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.

	2006		2005	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 16,548,386	(13,322,012)	\$ 15,061,891	(12,544,681)
Support services	9,954,802	(8,112,174)	6,643,494	(5,788,061)
Non-instructional	2,084,785	(143,150)	1,986,060	(170,288)
Sixteenth section	9,056	(441)	18,571	35,806
Interest on long-term liabilities	409,327	(409,327)	421,076	(421,076)
Total expenses	\$ 29,006,356	(21,987,104)	\$ 24,131,092	(18,888,300)

- The net cost of governmental activities for fiscal year 2006 in the amount of 21,987,104 was financed by general revenue, which is made up of primarily property taxes of \$3,758,901 and state revenue of \$17,431,066.
- Investment earnings accounted for \$211,854 of funding.
- Other general revenue includes insurance loss recoveries in the amount of \$2,334,768 resulting from damages caused by Hurricane Katrina and a fire at George County Middle school.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$7,061,669, an increase of \$1,501,898 due primarily to federal revenue entitled to the District under the Displaced Students Grant and Restart School Grant which resulted from Hurricane Katrina. \$5,389,240, or 76%, 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 \$1,672,459, or 24%, 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.

GEORGE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,159,377 due primarily to federal revenue entitled to the District under the Displaced Students Grant and Restart School Grant which resulted from Hurricane Katrina. Expenditures normally reported in the General Fund were reported in the Displaced Students Grant and Restart School Grant Funds and federal revenue was received to cover those expenditures. The fund balance of Other Governmental Funds showed an increase due primarily to excess revenues over expenditures in various funds.

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 instructional expenditures in the General Fund were decreased during the fiscal year. The District was entitled to federal funds under the Displaced Students Grant and Restart School Grant. The District was allowed to reclassify a portion of instruction expenditures from the General Fund to the Displaced Students Grant Fund and Restart School Grant Fund in order to reimburse the District for salary related expenditures incurred. Therefore, amounts originally budgeted for instruction expenditures in the General Fund were decreased to reflect the reclassification of these expenditures.
- Budgeted amounts for support services expenditures in the General Fund were increased during the fiscal year primarily to reflect the expenditures incurred related to the repair of school facilities resulting from damages caused by Hurricane Katrina and a fire at George County Middle School.
- The budget for the General Fund was increased to reflect insurance loss recoveries resulting from damages caused by Hurricane Katrina and a fire at George County Middle School.
- Transfers in and transfers out of the General Fund were increased during the fiscal year to reflect actual transfers made to and from other funds.
- The budget was amended to reflect revenue from federal sources and instruction, support services and noninstructional expenditures in the Displaced Students Grant Fund and Restart School Grant Fund. Revenues and expenditures related to these grants were a result of Hurricane Katrina and were not included in the original budget..

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2006, the District's total capital assets were \$30,334,751, including land, construction in progress, buildings, improvements other than buildings, mobile equipment, furniture and equipment and leased property under capital leases. This amount represents an increase of \$1,965,226 from the previous year. During the fiscal year, the District incurred expenditures related to the construction of school facilities and the purchase of new school buses and various other items of equipment. Total accumulated depreciation as of June 30, 2006 was \$11,093,876 and total depreciation expense for the year was \$ 800,475, resulting in total net assets of \$19,240,875.

GEORGE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

	Capital Assets, Net Depreciation		Percentage Change
	2006	2005	
Land	\$ 84,760	85,260	(0.6) %
Construction in progress	2,236,255	1,143,998	95.5 %
Buildings	14,460,540	14,791,814	(2.2) %
Buildings improvements	348,531	-	100.0 %
Improvements other than buildings	350,772	141,627	147.7 %
Mobile equipment	1,161,553	1,074,295	8.1 %
Furniture and equipment	355,081	83,014	327.7 %
Leased property under capital leases	243,383	719,461	(66.2) %
Total	\$ 19,240,875	\$ 18,039,469	6.7 %

Debt Administration. At June 30, 2006, the District had \$9,846,010 in general obligation bonds and other long-term debt outstanding, of which \$957,940 is due within one year. During the fiscal year, the District obtained a three mill notes payable and entered into a lease that qualifies as a capital lease for accounting purposes. The District made principal payments on long-term debt in the amount of \$1,040,048.

	Outstanding Debt		Percentage Change
	2006	2005	
General obligation bonds payable	\$ 2,690,000	3,010,000	(10.6) %
Limited obligation bonds payable	5,305,000	5,610,000	(5.4) %
Three mill notes payable	1,432,390	251,000	470.7 %
Obligations under capital leases	275,698	205,024	34.5 %
Compensated absences payable	142,922	139,449	2.5 %
Total	\$ 9,846,010	\$ 9,215,473	6.8 %

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 not increased or decreased significantly over the past several years.

GEORGE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

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

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GEORGE COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

GEORGE COUNTY SCHOOL DISTRICT

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George County School District
Statement of Net Assets
June 30, 2006

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 5,701,478
Due from other governments	3,448,687
Inventories and prepaid items	47,839
Restricted assets	121,601
Capital assets, not being depreciated:	
Land	84,760
Construction in progress	2,236,255
Capital assets, net of accumulated depreciation:	
Buildings	14,460,540
Building improvements	348,531
Improvements other than buildings	350,772
Mobile equipment	1,161,553
Furniture and equipment	355,081
Leased property under capital leases	243,383
Total Assets	<u>28,560,480</u>
Liabilities	
Accounts payable and accrued liabilities	1,008,357
Due to other governments	1,249,579
Interest payable on long-term liabilities	167,577
Long-term liabilities, due within one year	
Capital related liabilities	953,652
Non-capital related liabilities	4,288
Long-term liabilities, due beyond one year	
Capital related liabilities	8,749,436
Non-capital related liabilities	138,634
Total Liabilities	<u>12,271,523</u>
Net Assets	
Invested in capital assets, net of related debt	9,537,787
Restricted net assets:	
Expendable:	
School-based activities	1,178,283
Debt service	551,811
Forestry improvements	43,053
Unemployment benefits	776,028
Non-expendable:	
Sixteenth section	86,121
Unrestricted	4,115,874
Total Net Assets	<u>\$ 16,288,957</u>

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, 2006

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Primary Government:				
Governmental Activities				
Instruction	\$ 16,548,386	339,828	2,886,546	(13,322,012)
Support services	9,954,802	-	1,842,628	(8,112,174)
Non-instructional	2,084,785	396,852	1,544,783	(143,150)
Sixteenth section	9,056	8,615	-	(441)
Interest and other expenses on long-term liabilities	409,327	-	-	(409,327)
Total governmental activities	\$ 29,006,356	745,295	6,273,957	(21,987,104)
General revenue:				
Taxes				
General purpose levies				3,134,904
Debt service levies				623,997
Unrestricted grant and contributions:				
State				17,431,066
Federal				91,857
Unrestricted investment earnings:				
Sixteenth section				211,854
Other				93,990
				2,442,063
Total General Revenues				24,029,731
Changes in net assets				
Net assets - Beginning				14,164,144
Prior Period Adjustments				82,186
Net assets - Restated				14,246,330
Net Assets - Ending				16,288,957

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, 2006

Exhibit C

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest Fund		
Assets:				
Cash and cash equivalents	\$ 3,003,688	-	2,819,391	5,823,079
Due from other governments	1,798,070	670,554	974,011	3,442,635
Due from other funds	874,924	-	-	874,924
Inventories and prepaid items	-	-	47,839	47,839
	<u>5,676,682</u>	<u>670,554</u>	<u>3,841,241</u>	<u>10,188,477</u>
Liabilities & Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	332,916	155,719	519,722	1,008,357
Due to other funds	1,084,970	514,835	518,646	2,118,451
Total liabilities	<u>1,417,886</u>	<u>670,554</u>	<u>1,038,368</u>	<u>3,126,808</u>
Fund balances:				
Reserved for:				
Inventory	-	-	47,839	47,839
Unemployment benefits	-	-	776,028	776,028
Forestry improvements	-	-	43,053	43,053
Debt service purposes	-	-	719,388	719,388
Permanent fund purposes	-	-	86,121	86,121
Unreserved:				
Undesignated, reported in:				
General fund	4,258,796	-	-	4,258,796
Special revenue funds	-	-	1,130,444	1,130,444
Total fund balances	<u>4,258,796</u>	<u>-</u>	<u>2,802,873</u>	<u>7,061,669</u>
Total liabilities & fund balances	<u>\$ 5,676,682</u>	<u>670,554</u>	<u>3,841,241</u>	<u>10,188,477</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, 2006

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 7,061,669
Amounts reported for net assets in the Statement of Net Assets are different because:	
1. Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$11,093,876.	19,240,875
2. Long - term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(9,846,010)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(167,577)
Total Net Assets - Governmental Activities	<u>\$ 16,288,957</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, 2006

Exhibit D

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Displaced Students Grant Fund		
Revenues:				
Local sources	\$ 3,597,532	-	1,179,061	4,776,593
State sources	17,214,795	-	1,012,476	18,227,271
Federal sources	209,946	592,020	4,767,643	5,569,609
Sixteenth section sources	-	-	140,742	140,742
Total revenues	21,022,273	592,020	7,099,922	28,714,215
Expenditures:				
Instruction	13,216,712	295,579	2,717,670	16,229,961
Support services	8,508,730	207,653	1,627,135	10,343,518
Non-instructional services	94,555	88,788	1,904,730	2,088,073
Sixteenth section	-	-	9,056	9,056
Facilities acquisition and construction	-	-	1,122,035	1,122,035
Debt Service:				
Principal	164,048	-	876,000	1,040,048
Interest	4,568	-	389,381	393,949
Other	-	-	878	878
Total expenditures	21,988,613	592,020	8,646,885	31,227,518
Excess (deficiency) of revenues over expenditures	(966,340)	-	(1,546,963)	(2,513,303)
Other Financing Sources (Uses):				
Proceeds of loans	1,432,390	-	-	1,432,390
Inception of capital leases	248,000	-	-	248,000
Insurance loss recoveries	2,334,768	-	-	2,334,768
Sale of other property	43	-	-	43
Transfers in	6,447,202	-	2,134,577	8,581,779
Transfers out	(8,336,686)	-	(245,093)	(8,581,779)
Total Other Financing Sources (uses)	2,125,717	-	1,889,484	4,015,201
Net Change in Fund Balances	1,159,377	-	342,521	1,501,898
Fund balances:				
July 1, 2005	2,869,491	-	2,623,734	5,493,225
Prior period adjustments	229,928	-	(174,767)	55,161
July 1, 2005, as restated	3,099,419	-	2,448,967	5,548,386
Increase in reserve for inventory	-	-	11,385	11,385
June 30, 2006	\$ 4,258,796	-	2,802,873	7,061,669

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

George County School District
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund balances of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2006

Exhibit D-1

	<u>Amount</u>
Net change in fund balances	\$ 1,501,898
Amounts reported in the Statement of Net 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.	1,989,057
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.	(800,475)
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 balance by a combination of the following items:	
Losses on the sale of capital assets	(923)
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.	(1,680,390)
Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the Statement of Net Assets.	1,040,048
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transaction 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 Increase	(3,473)
Accrued interest on debt Decreases	(14,500)
An increase in the reserve for inventory is reported as a direct increase to the fund balance in the governmental funds but is a decrease in noninstructional service expense in the Statement of Activities	11,385
Change in net assets of governmental activities	<u>\$ 2,042,627</u>

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

GEORGE COUNTY SCHOOL DISTRICT

George County School District
 Statement of Fiduciary Net Assets
 June 30, 2006

Exhibit E

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 2,556	\$ 446,537
Due from other funds	-	1,249,579
Total Assets	<u>2,556</u>	<u>1,696,116</u>
Liabilities		
Accounts payable and accrued liabilities	-	1,588,215
Due to other funds	-	6,052
Due to student clubs	-	101,849
Total Liabilities	<u>-</u>	<u>1,696,116</u>
Net Assets		
Held in trust	<u>2,556</u>	
Total Net Assets	<u>\$ 2,556</u>	

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

GEORGE COUNTY SCHOOL DISTRICT

George County School District
 Statement of Changes in Fiduciary Net Assets
 For the year ended June 30, 2006

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest on investments	\$ 2
Contributions and donations from private sources	<u>4,600</u>
Total Additions	<u>4,602</u>
Deductions	
Scholarships awarded	<u>2,345</u>
Total Deductions	<u>2,345</u>
Change in net assets	<u>2,257</u>
Net Assets	
July 1, 2005	-
Prior period adjustments	<u>299</u>
July 1, 2005 as restated	<u>299</u>
June 30, 2006	<u>\$ 2,556</u>

GEORGE COUNTY SCHOOL DISTRICT

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

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,

GEORGE COUNTY SCHOOL DISTRICT

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

liabilities, fund equity, revenues and expenditures. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

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.

Displaced Students Grant 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.

GEORGE COUNTY SCHOOL DISTRICT

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

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

FIDUCIARY FUNDS

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

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

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.

GEORGE COUNTY SCHOOL DISTRICT

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

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.

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

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 4 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

GEORGE COUNTY SCHOOL DISTRICT

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

liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations 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.

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 3 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:

GEORGE COUNTY SCHOOL DISTRICT

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

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.

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.

GEORGE COUNTY SCHOOL DISTRICT

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

(2) Changes in Accounting Standards

As required, the George County School District has implemented Government Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the fiscal year. This Statement requires governments to evaluate major damage, changes in legal or environmental factors technology changes or obsolescence, changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

(3) Cash and Cash Equivalents.

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits are imposed by statutes as follows: Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$5,823,079 and \$449,093 respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$5,701,478 and Restricted Assets \$121,601. 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 \$7,284,178.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer on behalf of the district. As of June 30, 2006, \$0 of the districts bank balance of \$7,284.178 was exposed to custodial credit risk.

GEORGE COUNTY SCHOOL DISTRICT

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

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due To/Due From Other Funds

Governmental Funds:	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 874,924	1,084,970
Displaced Students Grant Fund		514,835
Other Governmental Funds		518,646
Fiduciary Funds	<u>1,249,579</u>	<u>6,052</u>
Total	<u>\$ 2,124,503</u>	<u>2,124,503</u>

During the course of the school year, expenditures are paid on a reimbursement basis causing the district to have to borrow monies at year end from other funds in order to prevent having a deficit in certain funds. Also, at year end the district must accrue salaries payable to certifies employees who are due money at year end on the previous year contract. The monies due to payroll clearing fund are salaries payable in July that are due to employees in June.

B. Transfers In/Out

Governmental Funds:	<u>Transfer in</u>	<u>Transfers Out</u>
General Fund	\$ 6,447,202	8,336,686
Other Governmental Funds	<u>\$ 2,134,577</u>	<u>245,093</u>
Total	<u>\$ 8,581,779</u>	<u>8,581,779</u>

The above transfers were for the distribution of MAEP monies to various funds, the distribution of sixteenth section principal and interest earnings and various transfers between activity funds.

GEORGE COUNTY SCHOOL DISTRICT

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

(5) Capital Assets.

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

	Balance 07/01/05	Additions	Retirements	Completed Construction	Adjustments	Balance 06/30/06
<u>Non-depreciable capital assets:</u>						
Land	\$ 85,260		(500)			84,760
Construction in progress	1,143,998	1,122,035		(29,778)		2,236,255
Total non-depreciable capital assets	1,229,258	1,122,035	(500)	(29,778)	-	2,321,015
<u>Depreciable capital assets:</u>						
Buildings	22,234,395				29,213	22,263,608
Building improvements	-			29,778	618,025	647,803
Improvements other than buildings	249,074				474,252	723,326
Mobile equipment	2,659,111	257,461			11,685	2,928,257
Furniture and equipment	539,960	412,043	(42,265)		91,486	1,001,224
Leased property under capital leases	1,457,727	197,518			(1,205,727)	449,518
Total depreciable capital assets	27,140,267	867,022	(42,265)	29,778	18,934	28,013,736
<u>Less accumulated depreciation for:</u>						
Buildings	(7,442,581)	(360,202)			(285)	(7,803,068)
Building improvements	-	(25,912)			(273,360)	(299,272)
Improvements other than buildings	(107,447)	(28,933)			(236,174)	(372,554)
Mobile equipment	(1,584,816)	(176,670)			(5,218)	(1,766,704)
Furniture and equipment	(456,946)	(145,183)	41,842		(85,856)	(646,143)
Leased property under capital leases	(738,266)	(63,575)			595,706	(206,135)
Total accumulated depreciation	(10,330,056)	(800,475)	41,842	-	(5,187)	(11,093,876)
Total depreciable capital assets, net	16,810,211	66,547	(423)	29,778	13,747	16,919,860
Governmental activities capital assets, net	\$ 18,039,469	1,188,582	(923)	-	13,747	19,240,875

GEORGE COUNTY SCHOOL DISTRICT

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

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 518,644
Support Services	274,081
Non-instructional	7,750
Total depreciation expense	<u>\$ 800,475</u>

Commitments under construction contracts at June 30, 2006 are summarized as follows:

	<u>Remaining Commitment</u>	<u>Required Future Financing</u>
Agricola Elementary Construction Project	\$ 27,667	-
George County High School Classroom Additions	655,809	-
Total	<u>\$ 683,476</u>	<u>-</u>

Adjustments :

The majority of the adjustments are due to completed lease purchase agreements.

The remainder of the adjustments are due to misclassification of assets and adjustments to actual.

(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	\$ 3,010,000		(320,000)		2,690,000	335,000
B. Limited obligation bonds payable	5,610,000		(305,000)		5,305,000	315,000
C. Three mill-notes payable	251,000	1,432,390	(251,000)		1,432,390	217,333
D. Obligations under capital leases	205,024	248,000	(164,048)	(13,278)	275,698	86,319
E. Compensated absences payable	139,449	3,473			142,922	4,288
Total	<u>\$ 9,215,473</u>	<u>1,683,863</u>	<u>(1,040,048)</u>	<u>(13,278)</u>	<u>9,846,010</u>	<u>957,940</u>

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:

GEORGE COUNTY SCHOOL DISTRICT

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

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>2,690,000</u>

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

Year Ending June 30	Principal	Interest	Total
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	400,000	54,610	454,610
2012-2016	<u>855,000</u>	<u>56,550</u>	<u>911,550</u>
Total	<u>\$ 2,690,000</u>	<u>485,878</u>	<u>3,175,878</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, 2006, the amount of outstanding bonded indebtedness was equal to 2.6% of property assessments as of October 1, 2006. 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>5,305,000</u>

GEORGE COUNTY SCHOOL DISTRICT

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

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

Year Ending June 30	Principal	Interest	Total
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	360,000	179,400	539,400
2012-2016	2,085,000	623,945	2,708,945
2016-2020	1,540,000	99,631	1,639,631
Total	\$ 5,305,000	1,770,419	7,075,419

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Section 37-15-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the Debt Service Funds.

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	4%	12/05/06	12/05/11	\$ 1,432,390	1,432,390

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

Year Ending June 30	Principal	Interest	Total
2007	\$ 217,333	53,716	271,049
2008	225,483	45,566	271,049
2009	233,837	37,212	271,049
2010	242,708	28,341	271,049
2011	251,809	19,240	271,049
2012-2016	261,320	9,731	271,051
Total	\$ 1,432,490	193,806	1,626,296

This debt will be retired from the Debt Service Funds.

GEORGE COUNTY SCHOOL DISTRICT

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

D. Obligations under capital leases

The school has entered into 2 lease agreements that qualified as a capital leases for accounting purposes. Leased property under this lease is composed of:

1. 19 copiers
2. 16 copiers

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
2007	\$ 86,319	10,700	97,019
2008	60,060	8,658	68,718
2009	63,076	5,642	68,718
2010	66,243	2,475	68,718
Total	<u>\$ 275,698</u>	<u>27,475</u>	<u>303,173</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 10.75% 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, 2006, 2005 and 2004 were \$1,614,502, \$1,351,503, and \$1,292,317, respectively, which equaled the required contributions for each year.

GEORGE COUNTY SCHOOL DISTRICT

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

(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 there from as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental 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>
2007	\$ 31,123
2008	24,361
2009	18,036
2010	12,458
2011	12,458
2012-2016	49,778
2017-2021	49,778
2022-2026	49,778
2027-2031	49,778
Total	<u>\$ 297,548</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 prior year error in recording an asset or liability.	<u>\$ 82,186</u>
Total	<u>\$ 82,186</u>

GEORGE COUNTY SCHOOL DISTRICT

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

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

<u>Major funds:</u>	<u>Explanations</u>	<u>Amount</u>
General Fund	An adjustment to correct a prior year error in recording an asset or liability	\$ 229,928
Other Governmental Funds	An adjustment to correct a prior year error in recording an asset or liability	<u>(174,767)</u>
		<u>\$ 55,161</u>

(10) Litigation.

On December 5, 2006 the School District's lawyer was notified by the Fifth Circuit Court of Appeals that an appeal has been filed on a lawsuit that was ruled in the District's favor in March 2006. If the ruling is reversed the school district does have sufficient insurance to cover the anticipated loss.

(11) 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 119 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 \$500,000. For a claim exceeding \$500,000, 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

George County School District
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2006

Schedule 1-A

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,487,417	3,597,532	3,597,532	110,115	-
Intermediate sources	4,000	-	-	(4,000)	-
State sources	17,363,440	17,132,297	17,214,795	(231,143)	82,498
Federal sources	77,000	292,444	209,946	215,444	(82,498)
Total revenues	20,931,857	21,022,273	21,022,273	90,416	-
Expenditures:					
Instruction	14,071,117	13,166,363	13,216,712	904,754	(50,349)
Support services	5,692,764	8,508,946	8,508,730	(2,816,182)	216
Noninstructional services	-	94,460	94,555	(94,460)	(95)
Debt service:					
Principal	179,366	164,048	164,048	15,318	-
Interest	5,659	4,570	4,568	1,089	2
Total expenditures	19,948,906	21,938,387	21,988,613	(1,989,481)	(50,226)
Excess (deficiency) of revenues over expenditures	982,951	(916,114)	(966,340)	(1,899,065)	(50,226)
Other Financing Sources (Uses):					
Proceeds of loans	1,555,790	1,629,908	1,432,390	74,118	(197,518)
Inception of capital leases	-	-	248,000	-	248,000
Insurance loss recoveries	-	2,334,768	2,334,768	2,334,768	-
Sale of other property	-	43	43	43	-
Transfers in	2,403,613	6,447,202	6,447,202	4,043,589	-
Transfers out	(5,082,134)	(8,336,790)	(8,336,686)	(3,254,656)	104
Total other financing sources and uses	(1,122,731)	2,075,131	2,125,717	3,197,862	50,586
Net change in fund balances	(139,780)	1,159,017	1,159,377	1,298,797	360
Fund balances:					
July 1, 2004			2,869,491		
Prior period adj. & reclassifications			229,928		
June 30, 2005, as restated			3,099,419		
June 30, 2006			\$ 4,258,796		

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

George County School District
 Budgetary Comparison Schedule
 Displaced Students Grant Fund
 For the Year Ended June 30, 2006

Schedule I-B

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ -	592,020	592,020	592,020	-
Total revenues	-	592,020	592,020	592,020	-
Expenditures:					
Instruction	-	295,579	295,579	(295,579)	-
Support services	-	207,653	207,653	(207,653)	-
Noninstructional services	-	88,788	88,788	(88,788)	-
Total expenditures	-	592,020	592,020	(592,020)	-
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
Net change in fund balances	-	-	-	-	-
Fund balances:					
July 1, 2005			-		
June 30, 2006			\$ -		

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Required Supplemental Information
For the Year Ended June 30, 2006

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

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, 2006

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	\$ 76,111
Child nutrition cluster:		
School breakfast program	10.553	312,526
National school lunch program	10.555	965,509
Summer food program for children	10.559	28,934
Total child nutrition cluster		<u>1,306,969</u>
Total U. S. Department of Agriculture		<u>1,383,080</u>
<u>U.S Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.XXX	92,966
Total U.S. Department of Defense		<u>92,966</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	60,892
Total Federal Communications Commission		<u>60,892</u>
<u>U. S. Department of Education</u>		
Direct Programs:		
Twenty-first century community learning centers	84.287	280,521
Total		<u>280,521</u>
Passed-through Mississippi Department of Education:		
Title I-grants to local educational agencies	84.010	882,246
Vocational education-basic grants to states	84.048	46,414
Safe and drug-free schools and communities-state grants	84.186	24,324
Eisenhower professional development state grants	84.281	279,392
Education technology state grants	84.318	47,544
Rural education achievement program	84.358	123,715
Grantss for state assessments and related activities	84.369	25,123
Hurricane Education Recovery	84.938	1,503,378
Total		<u>2,932,136</u>
Special educational cluster:		
Special education-grants to states	84.027	750,334
Special education-preschool grants	84.173	46,407
Total		<u>796,741</u>
Total passed-through Mississippi Department of Education		<u>3,728,877</u>
Total U. S. Department of Education		<u>4,009,398</u>
Total for All Federal Awards		<u>\$ 5,546,336</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same basis of accounting 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, 2006

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Adminstraion</u>	<u>Other</u>
Salaries and fringe benefits	\$ 20,396,110	16,209,842	444,456	1,349,312	2,392,500
Other	10,831,408	2,638,992	137,494	23,727	8,031,195
Total	31,227,518	18,848,834	581,950	1,373,039	10,423,695
Total number of students	3,815				
Cost per student	\$ 8,185	4,941	153	360	2,732

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

Instruction and Other Student Instructional Expenditures - 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, 2100, & 2200 functional codes)

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

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

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

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 7, 2006

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, 2006, which collectively comprise George County School District's basic financial statements and have issued our report thereon dated December 7, 2006. 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 06-01 and 06-02.

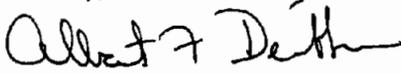
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and 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 conditions referred to above are material weaknesses.

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*.

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,

A handwritten signature in cursive script, appearing to read "Albert F. Dribben".

Albert F. Dribben, CPA
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 7, 2006

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, 2006. 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, 2006.

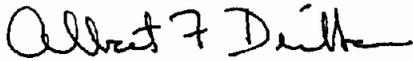
Internal Control Over Compliance

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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants 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 weakness.

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
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 7, 2006

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, 2006, which collectively comprise George County School District's basic financial statements and have issued our report thereon dated December 7, 2006. 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.

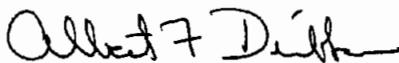
Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program 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 37-61-33(3)(a)(iii), Miss Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$144,681 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
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

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|---|--|-------------|
| 1 | Type of auditor's report issued on the financial statements: | Unqualified |
| 2 | Material noncompliance relating to the financial statements? | No |
| 3 | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Reportable conditions 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 weaknesses identified? | No |
| | b. Reportable conditions identified that are not considered to be material weaknesses? | No |
| 6 | Any audit findings reported as required by Section _____.510(s) of Circular A-133? | No |
| 7 | Federal programs identified as major programs: | |
| | a. Child Nutrition Cluster | |
| | CFDA#: 10.533 | |
| | CFDA#: 10.555 | |
| | CFDA#: 10.559 | |
| | b. Title I Grant | |
| | CFDA#: 84.010 | |
| | c. Hurricane Education Recovery | |
| | CFDA#: 84.938 | |
| 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

Section 2: Financial Statement Findings

Reportable Conditions Not Considered to be Material Weaknesses.

06-01

Finding

Criteria: Policies and procedures should be in place that provide adequate internal controls to ensure that receipts contain sufficient information to effectively account for the transaction and to ensure that deposits are made on a timely basis.

Condition: As reported in prior year audit, we noted the following in our audit of tests of activity and club fund revenues:

- 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.

Cause: The existing controls over activity funds are inadequate.

Effect: Inadequate internal controls over the activity funds could lead to the misappropriation of activity fund revenues.

Recommendation: We recommend that the school district adopt policies and procedures to increase the effectiveness of internal controls over the receipt of activity and club fund monies.

06-02

Finding

Criteria: Policies and procedures should be in place that provide adequate internal controls to ensure compliance with state purchasing laws and school board policies.

Condition: As reported in prior year audit, we noted the following in our tests of expenditures from the school district's clubs and activity funds:

- a. Instances of purchase orders without dates.
- b. Instances of a claim paid without an invoice.

Cause: The existing controls over activity funds are inadequate.

GEORGE COUNTY SCHOOL DISTRICT

Effect: Inadequate internal controls over the activity funds could lead to noncompliance with state purchase laws and a deficit fund and/or cash balance

Recommendations: We recommend that the school district adopt policies and procedures to increase the effectiveness internal controls over the disbursement of activity and club fund monies.

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
601 947-6993

July 13, 2007

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, 2006.

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.

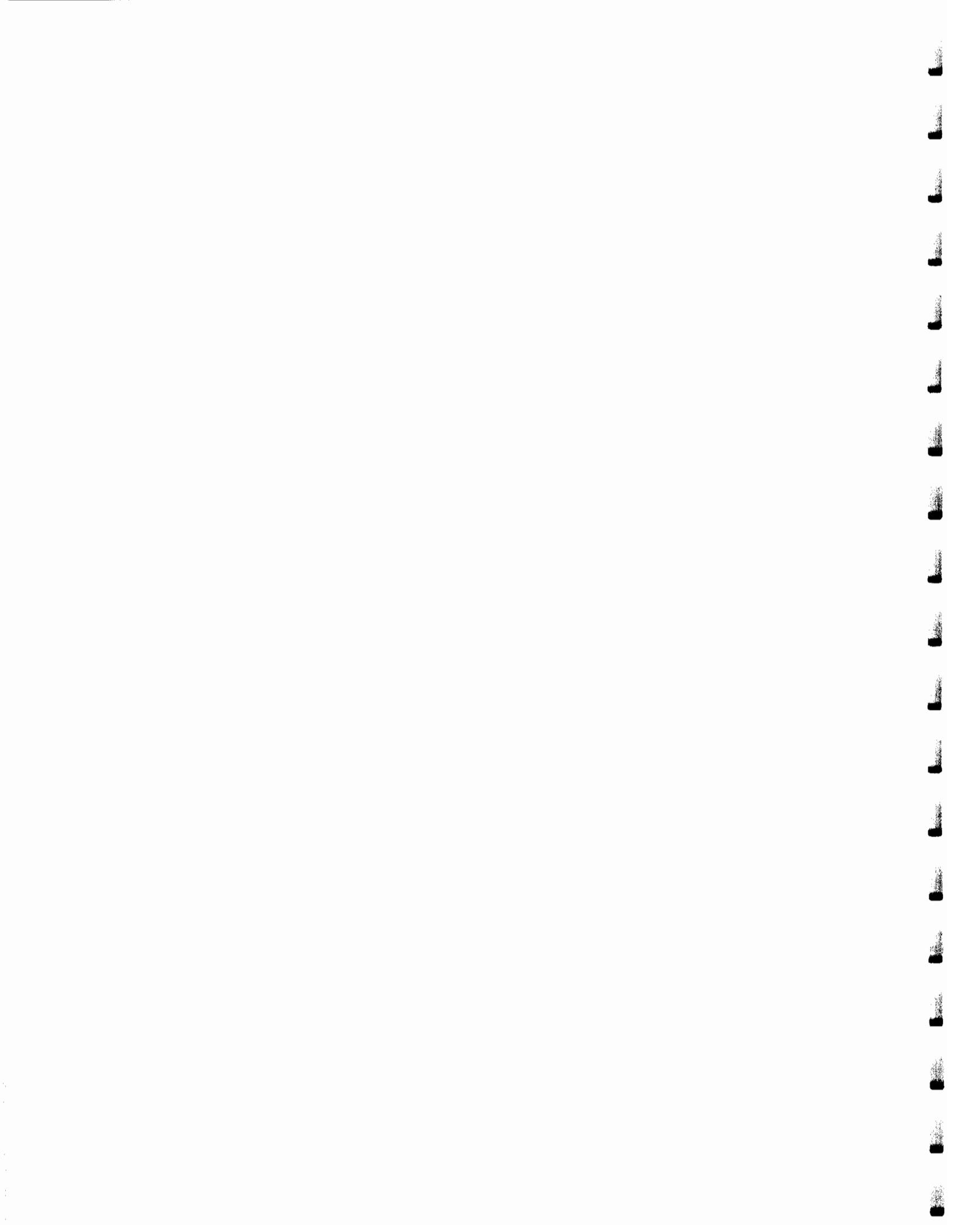
Section 2: Financial Statement Findings

Reportable conditions not considered to be material weaknesses:

06-01.

Corrective Action Planned:

1. Stu White, Business Manager (601) 947-6993
2. Corrective 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. Staff development is planned for July 26, 2007 to address these concerns.



06-02.

Corrective Action Planned:

1. Stu White, Business Manager (601) 947-6993
2. Corrective 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. Staff development is planned for July 26, 2007 to address these concerns

Sincerely,



Stuart White
Business Manager

