

## NEW ISSUE

In the opinion of Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Jackson, Mississippi, Bond Counsel, assuming continuing compliance by the County with the tax covenants and representations described herein, under existing law, interest on the Bonds is not includable in Federal gross income pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not a specific item of tax preference under Section 57 of the Code for purposes of calculating alternative minimum tax. In the case of corporate owners of the Bonds, interest on the Bonds will be included in the calculation of federal income tax liability under certain federal income taxes not solely based on items includable in gross income, including the calculation of the alternative minimum tax and the environmental tax as a result of the inclusion of interest on the Bonds in "adjusted current earnings". In addition, corporations that are subject to the branch profits tax imposed on certain foreign corporations and to the tax on "excess net passive income" imposed on S corporations will be required to include the interest on the Bonds in the calculation of such federal income taxes. See, "TAX EXEMPTION," herein, regarding certain collateral federal tax ramifications to certain individuals who are recipients of Social Security or Railroad Retirement Benefits and certain corporate owners of the Bonds. Bond Counsel is of the further opinion that interest on the Bonds is exempt from Mississippi State income taxation under existing laws. See "TAX EXEMPTION" herein.

**\$2,360,000**  
**GENERAL OBLIGATION BONDS**  
**SERIES 2008**  
**OF**  
**GEORGE COUNTY, MISSISSIPPI**

**DATED: December 1, 2008**

**DUE: December 1, as shown below**

Interest is payable semiannually on June 1 and December 1 of each year (each an "Interest Payment Date"), commencing December 1, 2009. The Bonds, in registered form and in the denomination of \$5,000 each, or integral multiples thereof up to the amount of a single maturity, will mature on December 1, with option of prior payment, in the years and principal amounts as follows:

<u>YEAR OF MATURITY</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>	<u>YIELD</u>	<u>YEAR OF MATURITY</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>	<u>YIELD</u>
2009	\$ 70,000	5.50%	2.25%	2019	\$115,000	4.00 %	4.10%
2010	75,000	5.50	2.60	2020	125,000	4.25	4.30
2011	80,000	5.25	2.80	2021	130,000	4.25	4.35
2012	80,000	5.25	3.10	2022	135,000	4.375	4.45
2013	85,000	5.25	3.30	2023	140,000	4.375	4.50
2014	95,000	5.25	3.40	2024	150,000	4.50	4.65
2015	95,000	5.00	3.50	2025	155,000	4.50	4.75
2016	100,000	5.00	3.75	2026	165,000	4.50	4.85
2017	105,000	5.00	3.90	2027	170,000	4.50	4.90
2018	110,000	5.00	4.00	2028	180,000	4.50	5.00

Bonds maturing on December 1, 2019, and thereafter, are subject to redemption prior to their stated dates of maturity, at par, plus accrued interest to the date of redemption, either in whole at any time on or after December 1, 2018, or in part, in inverse order of maturity and by lot within a maturity on December 1, 2018 or on any Interest Payment Date thereafter.

The Bonds have been designated by the County as "qualified tax exempt obligations" for purposes of Section 265(b)(3)(c) of the Internal Revenue Code of 1986, as amended.



The Bonds are offered subject to the final approval of the legality thereof by Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Jackson, Mississippi, Bond Counsel.

The date of this Official Statement is December 16, 2008.



No dealer, broker, salesman or other person has been authorized to make any representations with respect to the Bonds other than is contained in this Official Statement, and if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion contained herein are subject to changes without notice, and while all information has been secured from sources which are believed to be reliable, all parties preparing and distributing the Official Statement make no guaranty or warranty relating thereto. All opinions, estimates or assumptions, whether or not expressly identified, are intended as such and not as representations of fact. Neither the delivery of this Official Statement shall, nor any sale made hereunder, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

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**GEORGE COUNTY, MISSISSIPPI**

**BOARD OF SUPERVISORS**

***FRED CROOM, DISTRICT 1***  
***KELLY W. WRIGHT, DISTRICT 2***  
***CAROLYN SUE COCHRAN, DISTRICT 3***  
***LARRY A. HAVARD, DISTRICT 4***  
***HENRY COCHRAN, DISTRICT 5***

***CAMMIE B. BYRD***  
**CLERK, BOARD OF SUPERVISORS**

***ROBERT P. SHEPARD, ESQUIRE***  
***LUCEDALE, MISSISSIPPI***  
**ATTORNEY, BOARD OF SUPERVISORS**

***GOVERNMENT CONSULTANTS, INC.***  
***JACKSON, MISSISSIPPI***  
**FINANCIAL ADVISOR**

***BUTLER, SNOW, O'MARA, STEVENS & CANNADA, PLLC***  
***JACKSON, MISSISSIPPI***  
**BOND COUNSEL**

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# **OFFICIAL STATEMENT**

**\$2,360,000**

## **GENERAL OBLIGATION BONDS**

**SERIES 2008**

**OF**

**GEORGE COUNTY, MISSISSIPPI**

### **INTRODUCTION**

The purpose of this Official Statement is to set forth certain information in connection with the sale of the \$2,360,000 General Obligation Bonds, Series 2008, dated December 1, 2008 (the "Bonds"), of George County, Mississippi (the "County").

Reference is made to the Act as hereinafter defined, the Bond Resolution as hereinafter defined and any and all modifications and amendments thereof for a description of the nature and extent of the security of the Bonds, the pledge of tax revenues for the payment of the principal of and interest on the Bonds, the nature and extent of said pledge and the terms and conditions under which the Bonds are issued.

### **THE BONDS**

#### **Purpose and Authorization**

The Bonds are being issued to provide funds for the purpose of purchasing or erecting, equipping, repairing, reconstructing, remodeling and enlarging the County jail and related facilities, and the purchase of land therefor.

The Bonds will be issued pursuant to the provisions of Sections 19-9-1 through 19-9-31, Mississippi Code of 1972, as amended (the "Act"), and a Bond Resolution adopted by the Board of Supervisors of the County (the "Governing Body") on November 25, 2008 (the "Bond Resolution").

In order to issue the Bonds, the Governing Body adopted a resolution declaring its intention to issue the Bonds and gave notice of such intention by publication of said resolution in a newspaper published in the County. If twenty percent (20%), or fifteen hundred, whichever had been less, of the qualified electors of the County had filed a written protest against the issuance of the Bonds on or before the date specified in said resolution, an election on the question of the issuance of the Bonds would have been held. November 21, 2008, was set by the Governing Body as the date on or before which written protest was required to have been filed. No written protest having been received on or before said date, the Governing Body is now

authorized and empowered by the Act to issue the Bonds without the necessity of calling and holding an election on the question of the issuance thereof.

### **Security**

The Bonds will be general obligations of the County payable as to principal and interest out of and secured by an irrevocable pledge of the avails of a direct and continuing tax to be levied annually without limitation as to rate or amount upon the taxable property within the geographical limits of the County; provided, however, that such tax levy for any year shall be abated pro tanto to the extent the County on or prior to September 1 of that year has transferred money to the 2008 Bond Fund of the Bonds, or has made other provisions for funds, to be applied toward the payment of the principal of and interest on the Bonds due during the ensuing fiscal year of the County, in accordance with the provisions of the Bond Resolution. The County, when necessary, will levy annually a special tax upon all taxable property within the geographical limits of the County adequate and sufficient to provide for the payment of principal of and the interest on the Bonds as the same falls due.

The qualified electors of the State of Mississippi voted in a general election held on November 7, 1995, to amend the Mississippi Constitution of 1890 (the "Constitution") to add the following new Section 172A (the "Amendment"):

SECTION 172A. Neither the Supreme Court nor any inferior court of this state shall have the power to instruct or order the state or any political subdivision thereof, or an official of the state or any political subdivision, to levy or increase taxes.

The Amendment does not affect the underlying obligation to pay the principal of and interest on the Bonds as they mature and become due, nor does it affect the obligation to levy a tax sufficient to accomplish that purpose. However, even though it appears that the Amendment was not intended to affect Bondholders' remedies in the event of a payment default, it potentially prevents Bondholders from obtaining a writ of mandamus to compel the levying of taxes to pay the principal of and interest on the Bonds in a Court of the State of Mississippi. It is not certain whether the Amendment would affect the right of a Federal Court to direct the levy of a tax to satisfy a contractual obligation. Other effective remedies are available to the Bondholders in the event of a payment default with respect to the Bonds. For example, Bondholders can seek a writ of mandamus to compel the County to use any legally available moneys to pay the debt service on the Bonds, and if such writ of mandamus is issued and public officials fail to comply with such writ, then such public officials may be held in contempt of court. In addition, pursuant to the Mississippi Constitution §175, all public officials who are guilty of willful neglect of duty may be removed from office.

Certain information relating to the County is set forth in "APPENDIX A - INFORMATION ON THE COUNTY" and certain financial information on the County is included in "APPENDIX C - BUDGETS" and in "APPENDIX D - AUDIT."

## **Form of the Bonds**

The Bonds shall be dated December 1, 2008, shall be delivered in the denomination of Five Thousand Dollars (\$5,000) each, or integral multiples thereof up to the amount of a single maturity, shall be numbered from one upward in the order of issuance, shall be issued in fully registered form, and shall bear interest from the date thereof at the rate or rates specified herein, commencing December 1, 2009, and semiannually thereafter on June 1 and December 1 of each year.

## **Redemption Provisions**

Bonds maturing on December 1, 2019 and thereafter, are subject to redemption prior to their stated dates of maturity, at par, plus accrued interest to the date of redemption, either in whole at any time on or after December 1, 2018, or in part, in inverse order of maturity and by lot within a maturity on December 1, 2018, or on any Interest Payment Date thereafter.

Notice of redemption identifying the numbers of Bonds or portions thereof to be redeemed shall be given to the Registered Owners thereof by first class mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption. Failure to mail or receive any such notice, or any defect therein or in the mailing thereof, shall not affect the validity of any proceedings for the redemption of Bonds. Any notice mailed as provided herein shall be conclusively presumed to have been given, irrespective of whether received. If such written notice of redemption is made and if due provision for payment of the redemption price is made, all as provided above, the Bonds which are to be redeemed thereby automatically shall be deemed to have been redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the owner to receive the redemption price out of the funds provided for such payment. If at the time of mailing of any notice of redemption, there shall not be on deposit with the paying agent sufficient moneys to redeem all of the Bonds called for redemption, such notice shall state that it is subject to the deposit of moneys with the paying agent not later than on the redemption date and shall be of no effect unless such moneys are deposited.

## **TAX TREATMENT OF ORIGINAL ISSUE DISCOUNT**

The Bonds maturing on December 1 of the years 2019 through 2028 (the "Discount Bonds") are being offered and sold to the public at an original issue discount ("OID") from the amounts payable at maturity thereon. OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the "issue price" of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on bond will accrue over the term of the bond, and for the Discount Bonds, the amount of accretion will be based on a single rate of interest, compounded semiannually (the "yield to maturity"). The amount of OID that accrues during each semi-annual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Discount Bond at its issue price, the portion of OID that accrues during the period that such purchaser owns the Discount Bond is added to such purchaser's tax basis for purposes of determining gain or loss at the maturity,

redemption, sale or other disposition of that Discount Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

### **TAX TREATMENT OF ORIGINAL ISSUE PREMIUM**

The Bonds maturing on December 1 in the years 2009 through 2018 (the "Premium Bonds") have an issue price that is greater than the amount payable at maturity of such Premium Bonds. Any Premium Bonds purchased in the initial public offering at the issue price will have an "amortizable bond premium" within the meaning of Section 171 of the Code. A holder of a Premium Bond that has amortizable bond premium is not allowed any deductions for the amortizable bond premium. During each taxable year, a holder of a Premium Bond must reduce such holder's tax basis in such Premium Bond by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the holder held such Premium Bond. The adjusted tax basis in a Premium Bond will be used to determine taxable gain or loss upon a disposition (e.g., upon a sale, exchange, redemption or payment at maturity) of such Premium Bond.

Holders of Premium Bonds who did not purchase such Premium Bonds in the initial offering at the issue price should consult their own tax advisors with respect to tax consequences of owning such Premium Bonds. Any holders of Premium Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Premium Bonds.

### **TAX EXEMPTION**

#### **General**

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to delivery of the Bonds in order that the interest on the Bonds not be included in gross income of the registered owners for federal income tax purposes under Section 103 of the Code. The certificate as to non-arbitrage and other tax matters of the County, which will be delivered concurrently with the delivery of the Bonds, will contain provisions and procedures relating to compliance with such requirements of the Code. The County agrees, covenants and represents in the Bond Resolution that it will not make any use of the gross proceeds of the Bonds or amount that may be treated as proceeds of the Bonds or do or take or omit to take any other action that would cause: (i) the Bonds to be "arbitrage bonds" as such term is defined in Section 148(a) of the Code, and the Regulations promulgated thereunder; (ii) the interest on the Bonds to be included in the gross income of the registered owners for federal income taxation purposes; or (iii) the interest on the Bonds to be treated as an item of tax preference under Section 57(a)(5) of the Code.

Except as expressly stated in the following two paragraphs of this section, Bond Counsel will express no opinion as to any federal or state consequences of the ownership of, receipt of interest on, or disposition of the Bonds.

In the opinion of Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Jackson, Mississippi, Bond Counsel, under existing law, interest on the Bonds is not included in gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code and interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax that may be imposed on individuals and corporations. Such interest, however, is includable in the "adjusted current earnings" of a corporation for purposes of computing the alternative minimum tax and the environmental tax imposed on corporations (see "Certain Federal Tax Information - Alternative Minimum Tax"). In rendering the foregoing opinion, Bond Counsel has assumed the compliance by the County with the tax covenants and representations in the Bond Resolution and the representations in the certificate as to non-arbitrage and other tax matters. These requirements relate to, *inter alia*, the use and investment of the gross proceeds of the Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds have resulted in a failure of the County to comply with its covenants. Failure of the County to comply with such covenants could result in the interest on the Bonds becoming subject to federal income tax from the date of issue. For federal tax information, see "Certain Federal Tax Information" herein.

Under existing law, Bond Counsel is of the opinion that, interest on the Bonds is exempt from all present taxes imposed by the State of Mississippi and any county, municipality or other political subdivision of the State of Mississippi, except for inheritance, estate and transfer taxes.

### **Certain Federal Tax Information**

**General.** The following discussion of certain federal income tax matters is a summary of possible collateral tax consequences. It does not purport to deal with all aspects of federal taxation that may be relevant to particular registered owners. Further, the following discussion should not be construed as expressing an opinion of Bond Counsel as to any such matters, not specifically addressed in their opinion. **Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.**

**Alternative Minimum Tax.** The Code imposes an alternative minimum tax with respect to individuals and corporations on alternative minimum taxable income. A 20 percent alternative corporate minimum tax is imposed on corporations (other than S corporations, regulated investment companies, real estate investment trusts or real estate mortgage investment conduits, as such terms are defined in the Code). Interest on the Bonds is not treated as a preference item in calculating alternative minimum taxable income. The Code provides, however, that the corporation's alternative minimum taxable income is increased by 75 percent of the excess (if any) of (i) the "adjusted current earnings" of a corporation over (ii) its alternative minimum taxable income (determined without regard to this adjustment and the alternative tax net operating loss deduction). Interest on tax-exempt obligations, including the interest on the Bonds, would generally be included in computing a corporation's "adjusted current earnings." Accordingly, a portion of any interest on the Bonds received or accrued by a corporate registered

owner will be included in computing such corporation's alternative minimum taxable income for such year.

**Environmental Tax.** For taxable years beginning before January 1, 1996, Section 59A of the Code imposes an environmental tax of 0.12 percent on the excess, with certain modifications, of a corporation's alternative minimum taxable income, over \$2,000,000. The environmental tax imposed by Section 59A of the Code is imposed independently from the alternative minimum tax on corporations and is deductible from gross income. Interest on the Bonds is included in alternative minimum taxable income for purposes of the environmental tax, to the extent reflected in the adjustment for "adjusted current earnings."

**Insurance Companies.** Insurance companies, other than life insurance companies, are subject to the tax imposed by Section 831 of the Code. Section 832(b)(5)(B)(i) of the Code reduces the amount of certain loss deductions, otherwise allowed, in certain cases below zero, by 15 percent of, among other things, interest on tax-exempt obligations acquired after August 7, 1986, such as the Bonds.

**Financial Institutions.** Section 265(b)(1) of the Code provides that commercial banks, thrift institutions and other financial institutions may not deduct the portion of their otherwise allowable interest expense allocable to tax exempt obligations acquired after August 7, 1986 (other than "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code).

The County has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3)(C) of the Code. Eighty percent (80%) of the interest expense deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry "qualified tax-exempt obligations" is deductible.

**Branch Profits Tax.** Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to 30 percent of the "dividend equivalent amount" for the taxable year. Interest on the Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation.

**Borrowed Funds.** Section 265 of the Code denies a deduction for interest paid on borrowed funds to purchase or carry tax-exempt obligations. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

**S Corporations.** Section 1375 of the Code imposes a tax on the "excess net passive investment income" of S corporations that have Subchapter C earnings and profits at the close of the taxable year, if more than twenty-five percent (25%) of the gross receipts of such S corporations is passive investment income. Interest on the Bonds is included in the calculation of excess net passive income.

**Social Security and Railroad Retirement Benefits.** Section 86 of the Code provides that interest on tax-exempt obligations is included in the calculation of modified adjusted gross

income in determining whether a portion of Social Security or Railroad Retirement benefits are to be included in the taxable income of individual recipients of such benefits.

### **CONTINUING DISCLOSURE**

On November 10, 1994, the Securities and Exchange Commission (the "Commission") amended SEC Rule 15c2-12 ("SEC Rule 15c2-12") which was originally adopted by the Commission in 1989 under the Securities Exchange Act of 1934 and set forth certain disclosure requirements relating to a primary offering of municipal securities. The amendments to SEC Rule 15c2-12, which are effective beginning July 3, 1995, add to the existing disclosure obligations relating to municipal securities by requiring that, prior to purchasing or selling municipal securities, brokers, dealers and municipal securities dealers must reasonably determine that the issuer of such municipal securities, together with any other "obligated persons," within the meaning of SEC Rule 15c2-12, have entered into an undertaking for the benefit of bondholders to make certain information available to bondholders on a continuing basis. The County is an "obligated person" with respect to the Bonds within the meaning of SEC Rule 15c2-12.

While Bond Counsel has determined that the County is not required to comply with the continuing disclosure requirements of SEC Rule 15c2-12, the County has covenanted in its Resolution that pursuant to the Small Issuer Exemption under SEC Rule 15c2-12, of the Securities and Exchange Commission, the County will deliver or cause to be delivered, commencing with the fiscal year of the County ending after January 1, 2009, (i) to each person requesting same, financial information and operating data relating to the County, including audited financial statements of the County, and (ii) to the "nationally recognized municipal securities information repository," within the meaning of SEC Rule 15c2-12, and certain other entities described in SEC Rule 15c2-12 (said repositories and other entities are collectively referred to as the "Repositories"), notice of any material events relating to the Bonds and the County, if the County deems such events to be material as set forth under SEC Rule 15c2-12. If applicable, anyone requesting information under the continuing disclosure requirements of SEC Rule 15c2-12, should contact the Chancery Clerk, George County Courthouse, 355 Cox Street, Suite A, Lucedale, Mississippi 39452 Telephone Number: (601) 947-4801.

For a summary of the County's undertaking, see "APPENDIX E - FORM OF LIMITED CONTINUING DISCLOSURE AGREEMENT" attached hereto.

#### **Compliance with Prior Undertaking**

The County is in compliance with all continuing disclosure agreements executed in connection with previously issued debt subject to SEC Rule 15c2-12.

## **FINANCIAL ADVISOR**

The County has retained the firm of Government Consultants, Inc., Jackson, Mississippi, as independent financial advisor (the "Financial Advisor") to the County in connection with the issuance of the Bonds. In such capacity the Financial Advisor has provided recommendations and other financial guidance to the County with respect to the preparation of documents, the preparation for the sale of the Bonds and of the time of the sale, tax-exempt bond market conditions and other factors related to the sale of said Bonds.

Although the Financial Advisor performed an active role in drafting of the Official Statement, it has not independently verified any of the information set forth herein. The information contained in this Official Statement has been obtained primarily from municipal records and from other sources which are believed to be reliable, including financial records of the County and other entities which may be subject to interpretation. No guarantee is made as to the accuracy or completeness of any information obtained from sources other than the County. Any summaries or excerpts of statutes, ordinances, resolutions or other documents do not purport to be complete statements of same and reference is made to such original sources in all respects.

## **MISCELLANEOUS AND LEGAL INFORMATION**

### **No Default on Securities**

No securities of the County have been in default as to principal or interest payments or in any other material respect at any time in at least the last 25 years. No principal or interest on any obligations of the County is past due.

### **No Bond Proceeds for Current Operating Expenses**

No proceeds from the sale of securities (except tax anticipation notes issued against revenues of a current fiscal year) have been used for current operating expenses at any time in at least the last 10 years.

### **Pension Plan**

The County has no pension plan or retirement plan for employees. County employees are members of and contribute to the Mississippi Public Employees' Retirement System.

### **No-Litigation Certificate**

The attorney for the Board of Supervisors will execute and deliver to the initial purchaser(s) of the Bonds a certificate dated as of the date of delivery that no litigation has been filed or is then pending to restrain or enjoin the issuance or delivery of the Bonds, or which would affect the provisions made for the payment of the principal of and interest on the Bonds or in any manner questioning the validity of the Bonds.



### **Validation**

The Bonds were validated before the Chancery Court of the County, as provided by Sections 31-13-1 to 31-13-11, Mississippi Code of 1972, as amended.

### **Approval of Legal Proceedings**

All legal matters in connection with the authorization and issuance of the Bonds are subject to the final unqualified approval of the legality thereof by Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Jackson, Mississippi, Bond Counsel. The form of the opinion of Bond Counsel is attached hereto as APPENDIX F and will be available in final form at the time of delivery of the Bonds. No representation is made to the registered owners of the Bonds that such Bond Counsel has verified the accuracy, completeness or fairness of the statements in the Official Statement and Bond Counsel assumes no responsibility to the registered owners of the Bonds except for the matters set forth in such opinion.

### **Miscellaneous**

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Bonds, the security for the payment of the Bonds and the rights and obligations of the registered owners thereof.

The information contained in this Official Statement has been taken from sources considered reliable, but is not guaranteed. To the best of our knowledge, information in this Official Statement does not include any untrue statement of material fact; nor does the information omit the statement of any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

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The successful bidder shall file the Official Statement with a nationally recognized municipal securities information repository (a "Repository") at the earliest practicable date after the date of delivery of the Bonds. The end of the underwriting period shall mean the earlier of (a) the date of the closing unless the County has been notified in writing to the contrary by the representative of the successful bidder on or prior to such date, or (b) the date on which the "end of the underwriting period" for the Bonds has occurred under SEC Rule 15c2-12. The successful bidder shall notify the County of the date which is the "end of the underwriting period" within the meaning of the SEC Rule 15c2-12.

**GEORGE COUNTY, MISSISSIPPI**

**/s/ KELLY W. WRIGHT**  
**PRESIDENT, BOARD OF SUPERVISORS**

**/s/ CAMMIE B. BYRD**  
**CHANCERY CLERK**

**APPENDIX A**  
**INFORMATION ON THE COUNTY**

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## ECONOMIC AND DEMOGRAPHIC INFORMATION

### General Description

George County, Mississippi (the "County"), is located in the Southeast portion of the State of Mississippi (the "State"), approximately 150 miles east of New Orleans, Louisiana. The County is bordered by Greene County to the north, Stone County to the west, Jackson County to the south, and the state of Alabama to the east.

### Population

Population data for the County has been recorded as follows:

1970	1980	1990	2000
12,459	15,297	16,673	19,144

SOURCE: Census data at website: [www.census.gov](http://www.census.gov); December, 2008

### Government

The governing body of the County is the Board of Supervisors (the "Board of Supervisors"), which Board of Supervisors consists of five members, each of whom is elected from a separate district or "beat". Members of the Board of Supervisors, elected for concurrent four-year terms, are as follows:

Name	Occupation	Position Held Since
Fred A. Croom	Full -Time Supervisor	January 1, 2008
Kelly W. Wright	Full-Time Supervisor	January 5, 2004
Carolyn Sue Cochran	Full-Time Supervisor	March 24, 2005
Larry A. Havard	Full-Time Supervisor	January 1, 1984
William Henry Cochran	Full-Time Supervisor	January 1, 2000

### **Per Capita Income**<sup>1</sup>

Year	County	Mississippi	United States	County as % of U.S.
2006	\$22,576	\$27,028	\$36,714	61%
2005	21,584	25,490	34,757	62
2004	20,441	24,144	33,123	62
2003	19,497	23,116	31,504	62
2002	19,128	22,377	30,821	62

SOURCE: Bureau of Economic Analysis: Regional Economic Accounts at website: [www.bea.gov](http://www.bea.gov), 2002-2006; December, 2008.

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<sup>1</sup> Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2002-2006 reflect county population estimates available as of April, 2008.

## **Major Employers**

The following is a partial listing of major employers in the County, their products or services and their approximate number of employees:

Employer	Employees	Product/Service
George Regional Hospital	495	Hospitals
Singing River Elec. Power Assn.	185	Electric Companies
American Tank & Vessel Inc.	150	Fabricated Plate Work-Boiler Shops
Henkels & McCoy Inc.	100	General Contractors
Glen Oaks Nursing Ctr	70	Nursing & Convalescent Homes
Community Medical Ctr	65	Physicians & Surgeons
Central Elementary School	50	Schools
Agricola Elementary School	50	Schools

SOURCE: Mississippi Development Authority; December, 2008.

### **Unemployment Statistics**

	2008	2007	2006	2005	2004
January	8.2%	8.8%	7.9%	10.5%	9.8%
February	6.2	8.2	6.8	9.1	7.1
March	5.8	6.9	7.8	7.7	7.4
April	5.0	6.9	7.8	7.6	6.8
May	6.8	6.8	10.5	9.3	9.1
June	8.2	7.8	10.1	10.3	10.5
July	10.7	9.0	11.5	9.9	11.6
August	10.3	7.8	12.3	9.8	11.1
September	10.6	7.1	9.8	12.5	10.5
October	7.7	6.4	10.0	8.6	9.2
November		5.9	8.5	7.8	8.7
December		7.0	8.9	7.5	8.7
Annual Average		7.4%	9.3%	9.3%	9.3%

SOURCE: Mississippi Department of Employment Security: Labor Market Data at website [www.mdes.ms.gov](http://www.mdes.ms.gov); December, 2008.



## Employment Statistics

	2007	2006	2005	2004	2003
<b>RESIDENCE BASED EMPLOYMENT</b>					
I. Civilian Labor Force	9,100	8,900	8,630	8,530	8,570
II. Unemployed	670	830	800	790	880
Rate	7.4	9.3	9.3	9.3	10.3
III. Employed	8,430	8,070	7,830	7,740	7,690
<b>ESTABLISHMENT BASED EMPLOYMENT</b>					
I. Manufacturing	270	260	240	220	270
II. Non-manufacturing	4,510	4,400	4,400	4,130	3,900
A. Agriculture, Forestry, Fishing & Hunting	120	100	130	120	100
B. Mining	0	0	0	0	0
C. Utilities	140	140	130	140	140
D. Construction	260	220	420	260	160
E. Wholesale Trade	200	170	180	180	170
F. Retail Trade	880	900	840	820	860
G. Transportation & Warehousing	150	140	140	110	90
H. Information	40	40	50	30	30
I. Finance & Insurance	190	190	200	180	180
J. Real Estate, Rental & Leasing	30	30	40	30	20
K. Prof., Scientific & Technical Service	160	160	170	170	160
L. Management of Companies & Entertainment	0	0	0	0	0
M. Administrative Support & Waste Management	40	60	30	20	10
N. Educational Services	20	20	40	10	0
O. Health Care & Social Assistance	310	320	310	290	290
P. Arts, Entertainment & Recreation	0	0	0	0	0
Q. Accommodation & Food Service	430	430	410	320	280
R. Other Services (except Public Administration)	90	100	90	80	80
S. Government	1,450	1,380	1,220	1,370	1,330
Education	690	660	670	670	660

SOURCE: Mississippi Department of Employment Security: Annual Averages: Labor Force and Establishment Based Employment 2001 Forward, Labor Market Information Department at website: [www.mdes.ms.gov](http://www.mdes.ms.gov); December, 2008.

### **Retail Sales**

State Fiscal Year Ended June 30	Amount
2007	\$220,479,725
2006	228,666,453
2005	177,550,051
2004	159,544,947
2003	136,968,881

SOURCE: Annual Reports for each year shown, Mississippi State Tax Commission; December, 2008.

### **Educational Facilities**

The George County School District (the "District") serves the entire area of the County. The District operates one elementary school (Grades K-3), four elementary schools (Grades K-6), one intermediate school (Grades 4-6), one middle school (Grades 7-8), and one high school (Grades 9-12).

Current enrollment figures for the District for the current year and the four prior years are as follows:

Scholastic Year	Enrollment
2008-09	4,282
2007-08	4,296
2006-07	4,263
2005-06	4,184
2004-05	4,132

SOURCE: George County School District and Office of Research and Statistics, Mississippi Department of Education, December, 2008.

## TAX INFORMATION

### Assessed Valuation of the County<sup>2</sup>

Assessment Year	Real Property	Personal Property	Automobile	Mobile Home	Public Utility Property	Total
2008	\$67,141,419	\$5,886,356	\$32,351,330	\$2,128,355	\$17,625,892	\$125,133,352
2007	63,463,764	5,470,122	31,063,451	1,967,088	12,576,141	114,540,566
2006	58,152,107	5,027,188	30,699,268	1,941,511	12,629,576	108,449,650
2005	57,305,174	5,013,147	26,222,301	1,771,769	12,568,215	102,880,606
2004	53,245,867	4,881,049	25,046,914	2,242,983	12,107,873	97,524,686

SOURCE: George County Tax Assessor; December, 2008.

Assessed valuations are based upon the following assessment ratios:

- (a) Real and personal property (excluding single-family owner-occupied residential real property and motor vehicles, respectively), fifteen percent (15%) of true value;
- (b) Single-family owner-occupied residential real property, ten percent (10%) of true value;
- (c) Motor vehicles and public utility property, thirty percent (30%) of true value.

The 1986 Session of the Mississippi Legislature adopted House Concurrent Resolution No. 41 (the "Resolution"), pursuant to which there was proposed an amendment to the Mississippi Constitution of 1890 (the "Amendment"). The Amendment provided, *inter alia*, that the assessment ratio of any one class of property shall not be more than three times the assessment ratio on any other class of property.

The Amendment set forth five classes of property and the assessment ratios which would be applicable thereto upon the adoption of the Amendment. The assessment ratios set forth in the Amendment are identical to those established by Section 27-35-4, Mississippi Code of 1972, as it existed prior to the Amendment, except that the assessment ratio for single-family, owner-occupied residential real property under the Amendment is set at ten percent (10%) of true value as opposed to fifteen percent (15%) of true value under previously existing law.

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<sup>2</sup>The total assessed valuation is approved in September preceding the fiscal year of the County and represents the value of real property, personal property, public utility property, mobile home and automobiles for the year indicated on which taxes are assessed for the following fiscal year's budget. For example, the taxes for the assessed valuation figures for 2008 are collected starting in January, 2009 for the 2008-2009 fiscal year budget of the County.

### **Procedure for Property Assessments**

Real and personal property valuations other than motor vehicles and property owned by public utilities are determined by the County Tax Assessor. All taxable real property situated in the County is assessed each year and taxes thereon paid for the ensuing year. Assessment rolls of such property subject to taxation are prepared by the County Tax Assessor and are delivered to the Board of Supervisors of the County on the first Monday in July. Thereafter, the assessments are equalized by the Board of Supervisors and notice is given to the taxpayers that the Board of Supervisors will meet to hear objections to the assessments. After objections are heard, the Board of Supervisors adjusts the rolls and submits them to the State Tax Commission, which examines them on receipt. The State Tax Commission may then accept the rolls or, if it finds a roll incorrect in any particular, return the rolls to the Board of Supervisors to be corrected in accordance with the recommendations of the State Tax Commission. If the Board of Supervisors has any objections to the order of the State Tax Commission, it may arrange a hearing before the Commission. Otherwise, the assessment roll is finalized and submitted to the County Tax Collector for collection. The assessed value of motor vehicles is determined by an assessment schedule prepared each year by the State Tax Commission. With minor exceptions the property of public utilities is assessed each year by the State Tax Commission.

**Tax Levy Per \$1,000 Valuation<sup>3</sup>**

COUNTY PURPOSES	2008-09	2007-08	2006-07	2005-06	2004-05
General	37.10	38.21	37.34	37.62	36.66
Mandatory	1.00	1.00	1.00	1.00	1.00
Reappraisal	1.48	1.04	1.08	0.98	0.90
Solid Waste	4.00	4.00	4.00	4.00	4.00
VFD	3.74	3.74	3.74	3.74	3.74
Roads District 1	4.00	3.72	3.72	3.72	3.95
Roads District 2	4.00	3.72	3.72	3.72	3.95
Roads District 3	4.00	3.72	3.72	3.72	3.95
Roads District 4	4.00	3.72	3.72	3.72	3.95
Roads District 5	4.00	3.72	3.72	3.72	3.95
Bridges & Culvert 1	0.62	0.54	0.44	0.28	0.37
Bridges & Culvert 2	0.62	0.54	0.44	0.28	0.37
Bridges & Culvert 3	0.62	0.54	0.44	0.28	0.37
Bridges & Culvert 4	0.62	0.54	0.44	0.28	0.37
Bridges & Culvert 5	0.62	0.54	0.44	0.28	0.37
Hospital Bonds	5.00	5.00	5.00	5.00	5.00
Regional Library	1.00	1.00	1.00	1.03	1.09
Public Schools	33.86	34.57	35.61	35.93	36.55
School Building Loan	3.00	3.00	3.00	3.00	3.00
School Bonds	3.03	3.31	3.50	3.68	2.20
MGCCC Maintenance	1.56	1.70	1.80	1.89	2.00
MGCCC Capital	3.00	3.00	3.00	3.00	1.98
Pat Harrison	0.87	0.87	0.87	0.87	0.75
Pat Harrison Improvement	0.00	0.00	0.00	0.00	0.25
TOTAL	121.74	121.74	121.74	121.74	120.72

SOURCE: Office of the Chancery Clerk; December, 2008.

<sup>3</sup> Tax levy figures are given in mills.

### **Ad Valorem Tax Collections**

<b>Fiscal Year Ended September 30</b>	<b>Amount Budgeted</b>	<b>Amount Collected</b>	<b>Difference Over/(Under)</b>
2007	\$7,164,200	\$7,507,082	\$342,882
2006	6,936,600	7,138,993	202,393
2005	6,535,450	7,102,326	566,876
2004	6,168,400	6,339,116	170,716
2003	5,583,350	6,040,127	456,777

SOURCE: George County Tax Collector/Comptroller; December, 2008.

### **Procedure for Tax Collections**

The Board of Supervisors is required under the Act and the Bond Resolution to levy annually, if necessary, a special tax upon all taxable property within the County sufficient to provide for the payment of the principal of and the interest on the Bonds. If any taxpayer neglects or refuses to pay his taxes on the due date thereof, the unpaid taxes will bear interest at the rate of 1% per month or fractional part thereof from the delinquent date to the date of payment of such taxes. When enforcement officers take action to collect delinquent taxes, other fees, penalties and costs may accrue. Both real property and personal property are subject to public tax sale.

Ad valorem taxes on personal property are payable at the same time and in the same manner as on real property. Section 27-41-15, Mississippi Code of 1972, provides that upon failure of the taxpayer to make timely payment, the tax collector of each county is authorized to sell any personal property liable for unpaid taxes at the courthouse door of the county unless the property is too cumbersome to be removed. Five days' notice of the sale in an advertisement posted in three public places in the county, one of which must be the courthouse, is required. Municipal tax collectors are required to follow any special ordinance adopted by a municipality on personal property sales. Interest, fees, costs and expenses of sale are recoverable in addition to the taxes delinquent. If sufficient personal property cannot be found, the tax collector may make a list of debts due the taxpayer by other persons and sell such debts and is further directed to distrain and sell sufficient other properties of the taxpayer to pay the delinquent taxes. Debts sold may be redeemed within six months from the sale in the same manner as redemption of land from tax sales.

Section 27-41-55, Mississippi Code of 1972, as amended, provides that after the fifth day of August in each year, the tax collector for each county shall advertise and sell all land in the county on which all taxes due and in arrears have not been paid, as well as all land liable for other matured taxes. The sale is held at the door of the courthouse of the county or any place within the courthouse that the tax collector deems suitable to hold such sale, provided that the place of such sale shall be designated by the tax collector in the advertisement of the notice of

tax sale on the last Monday of August following. The owner, or any person with an interest in the land sold for taxes, may redeem the land at any time within two years after the day of sale by paying all taxes, costs, interest and damages due to the Chancery Clerk. A valid tax sale will mature two years after the date of sale unless the land is redeemed and title will vest in the purchaser on such date.

At the option of the tax collector, advertisement for the sale of such county lands may be made after the fifteenth day of February in each year with the sale of such lands to be held on the first Monday of April following. All provisions which relate to the tax sale held in August of each year shall apply to the tax sale if held in April.

County and municipal taxes, assessed upon lands or personal property, are entitled to preference over all judgments, executions, encumbrances or liens however created.

### **Reappraisal of Property and Limitation on Ad Valorem Levies**

Senate Bill No. 2672, General Laws of Mississippi, Regular Session 1980, codified in part as Sections 27-35-49 and 27-35-50, Mississippi Code of 1972 (the "Reappraisal Act"), provides that all real and personal property in the State shall be appraised at true value and assessed in proportion to true value. To insure that property taxes do not increase dramatically as the counties complete reappraisals, the Reappraisal Act provides for the limit on increase in tax revenues discussed below.

The statute limits ad valorem tax levies by the County subsequent to October 1, 1980, to a rate which will result in an increase in total receipts of not greater than ten percent (10%) over the previous year's receipts, excluding revenue from ad valorem taxes on any newly constructed properties, any existing properties added to the tax rolls or any properties previously exempt which were not assessed in the next preceding year. This limitation does not apply to levies for the payment of the principal of and the interest on general obligation bonds issued by the County or to certain other specified levies. The limitation may be increased only if the proposed increase is approved by a majority of those voting in an election held on such question.

On August 20, 1980, the Mississippi Supreme Court rendered its decision in State Tax Commission v. Fondren, 387 So.2d 712, affirming the decree of the Chancery Court of the First Judicial District of Hinds County, Mississippi, wherein the State Tax Commission was enjoined from accepting and approving assessment rolls from any county in the State for the tax year 1983 unless the State Tax Commission equalized the assessment rolls of all of the counties. Due to the intervening passage of the Reappraisal Act, the Supreme Court reversed that part of the lower court's decree ordering the assessment of property at true value (although it must still be appraised at true value), holding instead that assessed value may be expressed as a percentage of true value. Pursuant to the Supreme Court modification of the Chancellor's decree, on November 15, 1980, the State Tax Commission filed a master plan to assist counties in determining true value. On February 7, 1983, the Chancery Court granted an extension until July 1, 1984, of its previous deadline past which the State Tax Commission could not accept and approve tax rolls from counties which had not yet reappraised. The County has completed reappraisal.

### **Homestead Exemption**

The Mississippi Homestead Exemption Law of 1946 reduces the local tax burden on homes qualifying by law and substitutes revenues from other sources of taxation on the State level as a reimbursement to the local taxing units for such tax loss. Provisions of the homestead exemption law determine qualification, define ownership and limit the amount of property that may come within the exemption. The exemption is not applicable to taxes levied for the payment of the Bonds, except as hereinafter noted.

Those homeowners who qualify for the homestead exemption and who have reached the age of sixty-five (65) years on or before January 1 of the year for which the exemption is claimed, service-connected, totally disabled American veterans who were honorably discharged from military service and those qualified as disabled under the federal Social Security Act are exempt from any and all ad valorem taxes on qualifying homesteads not in excess of \$7,500 of assessed value thereof.

The tax loss resulting to local taxing units from properly qualified homestead exemptions is reimbursed by the State Tax Commission. Beginning with the 1984 supplemental ad valorem tax roll and for each roll thereafter, no taxing unit shall be reimbursed an amount in excess of one hundred six percent (106%) of the total net reimbursement made to such taxing unit in the next proceeding year.



### **Largest Taxpayers**

The ten largest taxpayers in the County for assessment year 2007 are as follows:

Taxpayer	Assessed Valuation	Taxes Collected
Wal-Mart Real Estate	\$1,108,574.00	\$134,957.80
Sethi, S L Etux Raksha S/C	599,636.00	72,639.51
M & M Properties of Lucedale, LLC	376,736.00	42,947.91
Dantzler, A. F., et al.	327,820.00	40,628.21
Joshua Timberlands, LLC	268,476.00	33,310.67
Southeast Consultants LLC	198,491.00	22,627.97
The Nature Conservancy	195,785.00	24,199.75
Wayne Lee's Grocery & Mkt Inc.	173,696.00	19,801.52
Maples, Phillip M.	183,833.00	22,379.83
Inland Barrington Mini Storage	170,526.00	19,439.96
Total	\$3,603,573.00	\$432,933.13

SOURCE: George County Tax Collector and Tax Assessor; December, 2008.

## DEBT INFORMATION

### Legal Debt Limit Statement

(as of December, 2008)

	15% Limit	20% Limit
Authorized Debt Limit (Last Completed Assessment for Taxation - \$125,133,352)	\$18,770,002	\$25,026,670
Present Debt Subject to Debt Limits	-0-	-0-
Margin for Further Debt Under Debt Limits	\$18,770,002	\$25,026,670
Less this Offering	2,360,000	2,360,000
Margin for Further Debt Under Debt Limits after Issuance of the Bonds	\$16,410,002	\$22,666,670

### Statutory Debt Limits

The County is subject to a general statutory debt limitation under which no county in the State may incur general obligation bonded indebtedness in an amount which will exceed fifteen percent (15%) of the assessed value of all taxable property within such county according to the last completed assessment for taxation.

In computing general obligation bonded indebtedness for purposes of this fifteen percent (15%) limitation, there may be deducted all bonds or other evidences of indebtedness issued for the construction of hospitals, ports or other capital improvements payable primarily from the net revenues to be generated from such hospital, port or other capital improvements in cases where such revenue is pledged to the retirement of the indebtedness, together with the full faith and credit of such county.

However, in no case shall any county contract any indebtedness payable in whole or in part from proceeds of ad valorem taxes when added to all of the outstanding general obligation indebtedness, both bonded and floating, which shall exceed twenty percent (20%) of the assessed value of all taxable property within such county, but bonds issued for school purposes and bonds issued under Sections 57-1-1 through 57-1-51 are specifically excluded from both the fifteen percent (15%) limitation and the twenty percent (20%) limitation (but are subject to statutory limits applicable to bonds of each type, respectively). Bonds issued for washed-out or collapsed bridges apply only against the twenty percent (20%) limitation. Industrial development revenue bonds are excluded from all limitations on indebtedness, as are contract obligations subject to annual appropriations.

**Outstanding General Obligation Bonded Debt**

There is no outstanding General Obligation Bonded Debt as of December 1, 2008.

**Other Outstanding Long-Term Debt**

(as of December, 2008)

Issue	Date of Issue	Principal Balance
Capital Leases	Various	\$2,362,261
TOTAL		\$2,362,261

**Outstanding Revenue Bonded Debt**

(as of December, 2008)

Issue	Date of Issue	Principal Balance
Urban Renewal Revenue Bonds, Series 2001 <sup>4</sup>	4/30/2001	\$4,740,000
TOTAL		\$4,740,000

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<sup>4</sup> These bonds are limited and special revenue bonds of the County issued pursuant to Sections 45-35-1 *et seq.*, Mississippi Code of 1972, as amended, payable solely from a pledge of all the revenues derived by the County from the ownership and operation of the regional correctional facility, including revenues received from the Mississippi Department of Corrections (the "Department") pursuant to an Inmate Housing Agreement.

## Annual Debt Service Requirements

FY Ending September 30	General Obligation Bonds		
	Principal	Interest <sup>5</sup>	Total
2010	\$ 70,000.00	\$ 164,115.63	\$ 234,115.63
2011	75,000.00	104,781.26	179,781.26
2012	80,000.00	100,618.76	180,618.76
2013	80,000.00	96,418.76	176,418.76
2014	85,000.00	92,087.51	177,087.51
2015	95,000.00	87,362.51	182,362.51
2016	95,000.00	82,493.76	177,493.76
2017	100,000.00	77,618.76	177,618.76
2018	105,000.00	72,493.76	177,493.76
2019	110,000.00	67,118.76	177,118.76
2020	115,000.00	62,068.76	177,068.76
2021	125,000.00	57,112.51	182,112.51
2022	130,000.00	51,693.76	181,693.76
2023	135,000.00	45,978.13	180,978.13
2024	140,000.00	39,962.50	179,962.50
2025	150,000.00	33,525.00	183,525.00
2026	155,000.00	26,662.50	181,662.50
2027	165,000.00	19,462.50	184,462.50
2028	170,000.00	11,925.00	181,925.00
2029	180,000.00	4,050.00	184,050.00
<b>Total</b>	<b>\$2,360,000.00</b>	<b>\$1,297,550.13</b>	<b>\$3,657,550.13</b>

<sup>5</sup> Calculated based on interest rates set forth on cover.

**Overlapping General Obligation Indebtedness**

(as of December, 2008)

Municipalities	2000 Population	Current Assessed Valuation	General Obligation Bonded Debt	General Obligation Bonded Debt Per Capita
Lucedale	2,458	\$7,557,192	\$50,000	\$2.03

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**APPENDIX B**  
**NOTICE OF BOND SALE**

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# **NOTICE OF BOND SALE**

**\$2,360,000**

## **GENERAL OBLIGATION BONDS**

**SERIES 2008**

**OF**

**GEORGE COUNTY, MISSISSIPPI**

Sealed proposals will be received by the Board of Supervisors of George County, Mississippi (the "Governing Body" of the "County"), in its meeting place in the Courthouse of the County in the City of Lucedale, Mississippi until the hour of 11:00 o'clock a.m. on the 16th day of December, 2008, at which time said bids will be publicly opened and read, for the purchase in its entirety, at not less than par and accrued interest to the date of delivery thereof, of an issue of Two Million Three Hundred Sixty Thousand Dollars (\$2,360,000) principal amount General Obligation Bonds, Series 2008, of the County (the "Bonds").

The Bonds will be dated December 1, 2008, will be delivered in the denomination of Five Thousand Dollars (\$5,000) each, or integral multiples thereof up to the amount of a single maturity, will be numbered from one upward; will be issued in fully registered form; and will bear interest from the date thereof at the rate or rates offered by the successful bidder in its bid, payable on June 1 and December 1 in each year (each an "Interest Payment Date"), commencing December 1, 2009. The Bonds will mature serially on December 1 in each year and in the principal amounts as follows:

<u>YEAR</u>	<u>AMOUNT</u>
2009	\$ 70,000
2010	75,000
2011	80,000
2012	80,000
2013	85,000
2014	95,000
2015	95,000
2016	100,000
2017	105,000
2018	110,000
2019	115,000
2020	125,000
2021	130,000
2022	135,000
2023	140,000
2024	150,000
2025	155,000
2026	165,000

2027	170,000
2028	180,000

Bonds maturing on December 1, 2019 and thereafter, are subject to redemption prior to their stated dates of maturity, at par, plus accrued interest to the date of redemption, either in whole at any time on or after December 1, 2018, or in part, in inverse order of maturity and by lot within a maturity on December 1, 2018, or on any Interest Payment Date thereafter.

The County will appoint the Paying and Transfer Agent for the Bonds after receiving the recommendation of the successful bidder subject to the following conditions. The Paying and Transfer Agent shall be a bank or trust company located within the State of Mississippi. The Paying Agent and/or Transfer Agent shall be subject to change by order of the Governing Body under the conditions and in the manner provided in the Bond Resolution under which the Bonds are issued.

The successful bidder must deliver to the Transfer Agent within thirty (30) days of the date of sale, or at such other later date as may be designated by the County, the names and addresses of the Registered Owners of the Bonds and the denominations in which the Bonds of each maturity are to be issued. If the successful bidder fails to submit such information to the Transfer Agent by the required time, one bond may be issued for each maturity in the full amount maturing on that date registered in the name of the successful bidder.

Both principal of and interest on the Bonds will be payable by check or draft mailed on the Interest Payment Date to Registered Owners of the Bonds as of the 15th day of the month preceding the maturity date for such principal or interest payment at the addresses appearing in the registration records of the County maintained by the Transfer Agent. Payment of principal at maturity shall be conditioned on the presentation and surrender of the Bonds at the principal office of the Transfer Agent.

The Bonds will be transferable only upon the records of the County maintained by the Transfer Agent.

The Bonds shall not bear a greater overall maximum interest rate to maturity than eleven percent (11%) per annum, and shall mature in the amounts and on the dates hereinabove set forth; no Bond shall bear more than one (1) rate of interest; each Bond shall bear interest from its date to its stated maturity date at the interest rate or rates specified in the bid; all Bonds of the same maturity shall bear the same rate of interest from date to maturity. The lowest interest rate specified shall not be less than seventy percent (70%) of the highest interest rate specified; each interest rate specified must be an even multiple of one-eighth of one percent (1/8 of 1%) or one-tenth of one percent (1/10 of 1%) and a zero rate cannot be named. The interest rate for any one maturity shall not exceed eleven percent (11%) per annum.

The Bonds are being issued for the purpose of providing funds for purchasing or erecting, equipping, repairing, reconstructing, remodeling and enlarging a County jail and related facilities, and the purchase of land therefor (the "Project").

The Bonds will be general obligations of the County payable as to principal and interest out of and secured by an irrevocable pledge of the avails of a direct and continuing tax to be

levied annually without limitation as to time, rate or amount upon the taxable property within the geographical limits of the County; provided, however, that such tax levy for any year shall be abated pro tanto to the extent the County on or prior to September 1 of that year has transferred money to the 2008 Bond Fund of the Bonds, or has made other provisions for funds, to be applied toward the payment of the principal of and interest on the Bonds due during the ensuing fiscal year of the County, in accordance with the provisions of this Bond Resolution. The County, when necessary, will levy annually a special tax upon all taxable property within the geographical limits of the County adequate and sufficient to provide for the payment of the principal of and the interest on the Bonds as the same falls due.

The County will designate the Bonds as qualified tax-exempt obligations within the meaning and for the purposes of Section 265(b)(3) of the Code.

Proposals should be addressed to the Board of Supervisors and should be plainly marked "Proposal for General Obligation Bonds, Series 2008, of George County, Mississippi," and should be filed with the Clerk of the County on or prior to the date and hour hereinabove named.

Each bid must be accompanied by a cashier's check, certified check, or exchange, issued or certified by a bank located in the State of Mississippi, payable to George County, Mississippi, in the amount of Forty Seven Thousand Two Hundred Dollars (\$47,200) as a guaranty that the bidder will carry out its contract and purchase the Bonds if its bid be accepted. If the successful bidder fails to purchase the Bonds pursuant to its bid and contract, then the amount of such good faith check shall be retained by the County as liquidated damages for such failure. No interest will be allowed on the amount of the good faith deposit. All checks of unsuccessful bidders will be returned immediately on award of the Bonds. All proposals shall remain firm for three hours after the time specified for the opening of proposals and an award of the Bonds, or rejection of proposals, will be made by the County within said period of time.

The award, if any, will be made to the bidder complying with the terms of sale and offering to purchase the Bonds at the lowest net interest cost to the County. The net interest cost will be determined by computing the aggregate interest on the Bonds over the life of the issue at the rate or rates of interest specified by the bidder, less premium offered, if any. It is requested that each proposal be accompanied by a statement of the net interest cost (computed to six decimal places), but such statement will not be considered a part of the proposal.

The Governing Body reserves the right to reject any and all bids submitted and to waive any irregularity or informality.

The obligation of the purchaser to purchase and pay for the Bonds is conditioned on the delivery, at the time of settlement of the Bonds, of the following: (1) the approving legal opinion of Butler, Snow, O'Mara, Stevens & Cannada, PLLC, the Bond Counsel, to the effect that the Bonds constitute valid and legally binding obligations of the County payable from and secured by an irrevocable pledge of the avails of a direct and continuing tax to be levied annually without limitation as to time, rate or amount upon all the taxable property within the geographical limits of the County and to the effect that the interest on the Bonds is exempt from Federal and Mississippi income taxes under existing laws, regulations, rulings and judicial decisions with such exceptions as shall be required by the Internal Revenue Code of 1986; and (2) the delivery

of certificates in form and tenor satisfactory to Bond Counsel evidencing the proper execution and delivery of the Bonds and receipt of payment therefor, including a statement of the County, dated as of the date of such delivery, to the effect that there is no litigation pending or, to the knowledge of the signer or signers thereof, threatened relating to the issuance, sale and delivery of the Bonds. A copy of said approving legal opinion will appear on or accompany the Bonds.

It is anticipated that CUSIP identification numbers will be printed on the Bonds unless specifically declined by the purchaser, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with the terms of the purchase contract. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the County; the CUSIP Service Bureau charge for the assignment of said numbers shall be the responsibility of and shall be paid for by the purchaser.

The County has covenanted in its Bond Resolution that if SEC Rule 15c2-12 is determined to be applicable to the Bonds, that pursuant to the Small Issuer Exemption under SEC Rule 15c2-12, as amended, the County will deliver or cause to be delivered, commencing with the fiscal year of the County ending after January 1, 2009, (i) to each person requesting same, financial information relating to the County, including audited financial statements of the County, and (ii) to the "nationally recognized municipal securities information repository," within the meaning of SEC Rule 15c2-12, and certain other entities described in SEC Rule 15c2-12 (said repositories and other entities are collectively referred to as the "Repositories"), notice of any material events relating to the Bonds and the County, if the County deems such events to be material as set forth under SEC Rule 15c2-12. If applicable, anyone requesting information under the continuing disclosure requirements of SEC Rule 15c2-12 should contact the Chancery Clerk, Courthouse, 355 Cox Street, Suite A, Lucedale, Mississippi 39452 Telephone Number: (601) 947-4801.

The Preliminary Official Statement, dated November 25, 2008, has been "deemed final" as of such date by the County with permitted omissions, subject to change without notice and to completion or modification in a final Official Statement (the "Official Statement"). The County will make available to the successful bidder a reasonable number of Official Statements within seven (7) business days (excluding Saturdays, Sundays and national holidays) of the award of the Bonds. The successful bidder shall conform to the requirements of SEC Rule 15c2-12, including an obligation, if any, to update the Official Statement and shall bear all costs relating thereto. During the period from the delivery of the Official Statement to and including the date which is twenty-five (25) days following the end of the underwriting period for the Bonds (as described below) the County shall notify the successful bidder if any event of which it has knowledge shall occur which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

The successful bidder shall file the Official Statement with a nationally recognized municipal securities information repository (a "Repository") at the earliest practicable date after the date of delivery of the Bonds. The end of the underwriting period shall mean the earlier of (a) the date of the Closing unless the County has been notified in writing to the contrary by the

representative of the successful bidder on or prior to such date, or (b) the date on which the "end of the underwriting period" for the Bonds has occurred under SEC Rule 15c2-12. The successful bidder shall notify the County of the date which is the "end of the underwriting period" within the meaning of the SEC Rule 15c2-12.

For additional information concerning the sale and issuance of the Bonds, please contact the Chancery Clerk of the County.

By order of the Board of Supervisors of George County, Mississippi, on November 25, 2008.

/s/ Cammie B. Byrd

CLERK, BOARD OF SUPERVISORS

**PUBLISH: December 4 and 11, 2008**

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## **APPENDIX C**

### **BUDGET**

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**ADOPTED BUDGET FOR FISCAL YEAR 2008-2009**

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	GOVERNMENTAL FUND TYPES				PROPRIETARY FUNDS		
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	PERMANENT ENTERPRISE SERVICE	INTERNAL PRIV.PURPOSE/ AGENCY	TOTAL
REVENUES							
AMOUNT NECESSARY TO BE RAISED BY TAX LEVY	3779250	3267150		548700		705650	8300750
TAXES AND AD VALOREM OTHER THAN TAX LEVY	172150	2050		200		2800	177200
ROAD AND BRIDGE PRIVILEGE TAXES		256250					256250
LICENSES, COMMISSIONS AND OTHER REVENUE	454200	23500					477700
FINES AND FORFEITURES	461500	14800					476300
SPECIAL ASSESSMENTS							
INTERGOVERNMENTAL REVENUE:							
FEDERAL SOURCES		5519800					5519800
STATE SOURCES	460650	1023450		2100		353050	1839250
LOCAL SOURCES:	5500	69500					75000
CHARGES FOR SERVICES	255000	3907900					4162900
INTEREST INCOME	120750	109800	11000				241550
MISCELLANEOUS REVENUE	71000	82300					275300
CONTRIBUTIONS TO PERMANENT FUNDS							
OTHER FINANCING SOURCES	6000	987000	2700000			122000	3693000
SPECIAL ITEMS							
EXTRAORDINARY ITEMS							
TOTAL REVENUES	5786000	15263500	2711000	551000		1183500	25455000
BEGINNING CASH BALANCE	2500000	1174000	543000				4223000
TOTAL REVENUE & BEGINNING CASH BALANCE	8286000	16437500	3260000	551000		1183500	29718000
EXPENDITURES							
GENERAL GOVERNMENT	5896350	5486500	1060000			123000	12565850
PUBLIC SAFETY	1850550	5213000	2200000				9263550
PUBLIC WORKS		5585000				12000	5597000
HEALTH AND WELFARE	245150						245150
CULTURE AND RECREATION	35700	83500				110000	229200
EDUCATION						842500	842500
CONSERVATION OF NATURAL RESOURCES	47250						47250
ECONOMIC DEVELOPMENT AND ASSISTANCE	95000	69500				96000	143250
UNDESIGNATED							164500
DEBT SERVICE				551000			551000
INTERFUND TRANSACTIONS/OTHER	116000						116000
OTHER FINANCING USES							
SPECIAL ITEMS							
EXTRAORDINARY ITEMS							
TOTAL EXPENDITURES	8286000	16437500	3260000	551000		1183500	29718000
ENDING CASH BALANCE							
TOTAL EXPENDITURES & ENDING CASH BALANCE	8286000	16437500	3260000	551000		1183500	29718000

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## **APPENDIX D**

### **AUDIT**

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**FINANCIAL STATEMENT FOR FISCAL YEAR  
ENDED SEPTEMBER 30, 2006**

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# GEORGE COUNTY, MISSISSIPPI

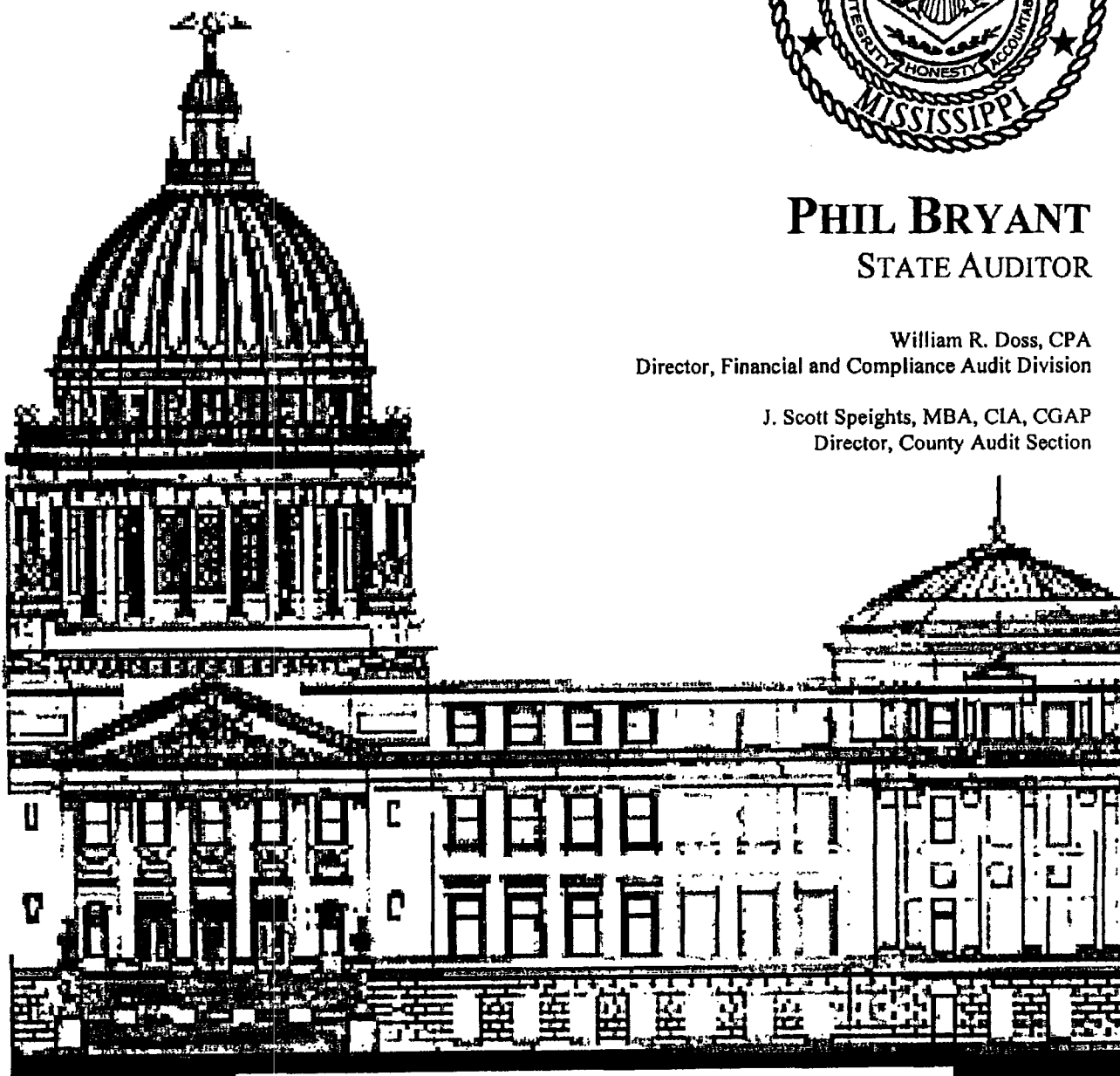
Audited Primary Government Financial Statements and Special Reports  
For the Year Ended September 30, 2006



**PHIL BRYANT**  
STATE AUDITOR

William R. Doss, CPA  
Director, Financial and Compliance Audit Division

J. Scott Speights, MBA, CIA, CGAP  
Director, County Audit Section



A Report from the County Audit Section

[www.osa.state.ms.us](http://www.osa.state.ms.us)



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race, religion, national origin, sex, age or disability*



GEORGE COUNTY  
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**GEORGE COUNTY**

**FINANCIAL SECTION**

**GEORGE COUNTY**

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## State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
George County, Mississippi

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

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

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

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

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

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

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

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



PHIL BRYANT  
State Auditor



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

July 23, 2007

**GEORGE COUNTY**

**PRIMARY GOVERNMENT FINANCIAL STATEMENTS**

GEORGE COUNTY  
Statement of Net Assets  
September 30, 2006

Exhibit 1

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

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

GEORGE COUNTY  
Statement of Activities  
For the Year Ended September 30, 2006

Exhibit 2

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

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

GEORGE COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2006

Exhibit 3

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

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

GEORGE COUNTY

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

Exhibit 3-1

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

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

GEORGE COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2006

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

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



GEORGE COUNTY  
Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2006

Exhibit 4-1

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

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

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

Exhibit 5

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

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

GEORGE COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund  
For the Year Ended September 30, 2006

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

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

GEORGE COUNTY  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2006

Exhibit 7

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

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

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

Exhibit 8

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

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

## GEORGE COUNTY

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

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

##### A. Financial Reporting Entity.

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

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

- George County Hospital

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

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

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

###### Blended Component Unit.

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

##### C. Basis of Presentation.

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

## GEORGE COUNTY

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

#### Government-wide Financial Statements:

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

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

#### Fund Financial Statements:

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

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

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

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

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

## GEORGE COUNTY

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

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

The county reports the following major Governmental Fund:

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

The county reports the following major Proprietary Fund:

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

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

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

#### PROPRIETARY FUND TYPE

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

#### FIDUCIARY FUND TYPE

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



## GEORGE COUNTY

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

#### E. Account Classifications.

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

#### F. Deposits and Investments.

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

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

#### G. Receivables.

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

#### H. Interfund Transactions and Balances.

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

#### I. Capital Assets.

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

# GEORGE COUNTY

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

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

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

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

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

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

### J. Long-term Liabilities.

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

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

### K. Equity Classifications.

#### Government-wide Financial Statements:

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

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

## GEORGE COUNTY

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

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

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

#### **Fund Financial Statements:**

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

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

#### **L. Property Tax Revenues.**

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

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

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

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

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

# GEORGE COUNTY

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

### N. Compensated Absences.

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

### (2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

#### Exhibit 2 - Statement of Activities.

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

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

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

### (3) Deposits.

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

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

# GEORGE COUNTY

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

### (4) Interfund Transactions and Balances.

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

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

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

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

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

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

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

#### C. Transfers In/Out:

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

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

# GEORGE COUNTY

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

### (5) Intergovernmental Receivables.

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

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

### (6) Loans Receivable.

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

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

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

### (7) Capital Assets.

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

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

# GEORGE COUNTY

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

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

GEORGE COUNTY

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

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

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

Depreciation expense was charged to the following functions:

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

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

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



# GEORGE COUNTY

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

### (8) Claims and Judgments.

#### Risk Financing.

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

### (9) Capital Leases.

#### As Lessee:

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

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

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

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

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

GEORGE COUNTY

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

(10) Long-term Debt.

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

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

# GEORGE COUNTY

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

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

### Governmental Activities:

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

### Business-type Activities:

<u>Year Ending September 30</u>	<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 225,000	285,676
2008	235,000	270,961
2009	250,000	255,871
2010	265,000	240,168
2011	285,000	225,382
2012 - 2016	1,685,000	891,040
2017 - 2021	<u>2,255,000</u>	<u>354,659</u>
Total	<u>\$ 5,200,000</u>	<u>2,523,757</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2006, the county had no outstanding general obligation bonded debt.

# GEORGE COUNTY

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

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

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

### (11) Contingencies.

**Federal Grants** - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county.

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

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

### (12) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Region 14 Singing River Mental Health/Mental Retardation Center operates in a district composed of the Counties of George and Jackson. The George County Board of Supervisors appoints one of the two members of the board of commissioners. The county appropriated \$53,000 for support of the center in fiscal year 2006.

## GEORGE COUNTY

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

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

Mississippi Gulf Coast Community College operates in a district composed of the Counties of George, Harrison, Jackson and Stone. The college's board of trustees is composed of 23 members, three each appointed by George and Stone Counties, eight each appointed by Harrison and Jackson Counties, and one appointed at large. The county appropriated \$463,716 for maintenance and support of the college in fiscal year 2006.

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

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

#### (13) Defined Benefit Pension Plan.

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

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

# GEORGE COUNTY

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

### (14) Subsequent Events.

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

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

**GEORGE COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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

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



## GEORGE COUNTY

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

#### A. Budgetary Information.

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

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

#### B. Basis of Presentation.

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

#### C. Budget/GAAP Reconciliation.

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

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

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

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

**GEORGE COUNTY**

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**GEORGE COUNTY**

**SUPPLEMENTAL INFORMATION**

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

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

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

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

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

**GEORGE COUNTY**

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## GEORGE COUNTY

## SPECIAL REPORTS

**GEORGE COUNTY**

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## State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
George County, Mississippi

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

#### Internal Control Over Financial Reporting

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

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

### Compliance and Other Matters

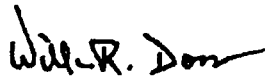
As part of obtaining reasonable assurance about whether George County, Mississippi's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could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

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

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



PHIL BRYANT  
State Auditor



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

July 23, 2007



## State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
George County, Mississippi

#### Compliance

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

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

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

### Internal Control Over Compliance

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

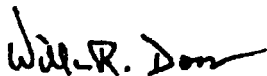
We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance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

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

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



PHIL BRYANT  
State Auditor



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

July 23, 2007



## State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
George County, Mississippi

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

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

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

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

Inventory Control Clerk.

Finding

The following deficiencies were noted in the capital asset records:

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

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

Recommendation

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

Inventory Clerk's Response

I concur.

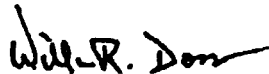
In our opinion, except for the noncompliance referred to in the preceding paragraph, George County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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

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



PHIL BRYANT  
State Auditor



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

July 23, 2007

**GEORGE COUNTY**

**Schedule 1**

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

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

GEORGE COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2006

Schedule 2

Our test results did not identify any emergency purchases.



GEORGE COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2006

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

**GEORGE COUNTY**

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## State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

### LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
George County, Mississippi

In planning and performing our audit of the financial statements of George County, Mississippi for the year ended September 30, 2006, we considered George County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to George County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated July 23, 2007, on the financial statements of George County, Mississippi.

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

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

Sheriff.

1. Finding

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

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

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

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

Recommendation

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

Sheriff's Response

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

2. Finding

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

Recommendation

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

Sheriff's Response

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

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



PHIL BRYANT  
State Auditor



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

July 23, 2007

**GEORGE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**GEORGE COUNTY**

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# GEORGE COUNTY

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

### Section 1: Summary of Auditor's Results

#### ***Financial Statements:***

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

#### ***Federal Awards:***

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

GEORGE COUNTY

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

Section 2: Financial Statement Finding

*Reportable Condition - Material Weakness*

Board of Supervisors.

06-1. Finding

As reported in the prior year audit report, management did not maintain adequate subsidiary records documenting the accounts receivable of the solid waste user fees and the aging of these receivables. The failure to maintain adequate records documenting the accounts receivable of solid waste could result in the loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should establish procedures documenting the accounts receivable records and the aging of the solid waste user fees.

Section 3: Federal Award Findings and Questioned Costs

06-2. Finding

97.036            Disaster grants - public assistance  
                     U.S. Department of Homeland Security/  
                     Passed-through the Mississippi Emergency Management Agency

Compliance Requirement:            Activities allowed or unallowed  
   Allowable Costs/cost principles

*Reportable Condition - Material Weakness*

The following internal control weaknesses were noted in record-keeping for federal transactions during the audit of the federal expenditures:

- a.        Project worksheets and supporting documentation were sometimes not available on file in the county, so copies had to be obtained directly from state officials.
- b.        When projects were amended, documentation to support the amendments was not adequately maintained.

The failure to establish an effective system of record keeping for federal expenditures weakened controls for determining allowable costs.

Recommendation

The Chancery Clerk should take steps to ensure that an adequate system of record-keeping is established and maintained for the disaster grants - public assistance.



**GEORGE COUNTY**

**AUDITEE'S CORRECTIVE ACTION PLAN**

**GEORGE COUNTY**

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# George County Board of Supervisors

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



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

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

## CORRECTIVE ACTION PLAN

JULY 25, 2007

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

Gentlemen:

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

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

### SECTION 2: FINANCIAL STATEMENT FINDINGS:

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

Anticipated Completion Date: Completed

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

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

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

Anticipated Completion Date: Next Disaster

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

Sincerely Yours,

A handwritten signature in cursive script, appearing to read "Kelly Wright", enclosed within a large, horizontal oval.

Kelly Wright, President  
Board of Supervisors

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**APPENDIX E**

**FORM OF LIMITED CONTINUING DISCLOSURE AGREEMENT**

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## **LIMITED CONTINUING DISCLOSURE AGREEMENT**

**BY GEORGE COUNTY, MISSISSIPPI  
DATED AS OF DECEMBER 1, 2008**

**In Connection With the Issuance and Sale of \$2,360,000 George County, Mississippi  
General Obligation Bonds, Series 2008, Dated December 1, 2008**

This Limited Continuing Disclosure Agreement (the "Agreement") is executed and delivered by George County, Mississippi ("the "Issuer") in connection with issuance of its \$2,360,000 George County, Mississippi General Obligation Bonds, Series 2008 (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Supervisors (the "Board") of the County on November 25, 2008 (the "Bond Resolution").

**SECTION 1. Purpose of the Agreement.** This Agreement is being executed and delivered by the Issuer for the benefit of the Bondholders and the beneficial owners of the Bonds and in order to assist the Paying Agent in complying with the S.E.C. Rule 15c2-12(b)(5).

**SECTION 2. Definitions.** Capitalized terms not otherwise defined in this Agreement shall have the meaning assigned in the Bond Resolution. In addition the following capitalized terms shall have the following meanings:

(a) "Dissemination Agent" shall mean the person serving from time to time in the capacity of the Issuer's Chancery Clerk.

(b) "Listed Events" shall mean any of the events listed in Section 5(a) of this Agreement.

(c) "MSRB" shall mean the Municipal Securities Rulemaking Board.

(d) "National Repository" shall mean any nationally recognized municipal securities information repository for purposes of the rule.

(e) "Official Statement" shall mean any the Official Statement dated \_\_\_\_\_, 2008, relating to the issuance by the Issuer of the Bonds.

(f) "Paying Agent" shall mean \_\_\_\_\_, \_\_\_\_\_, Mississippi a banking corporation.

(g) "Repository" shall mean each national repository and each state repository.

(h) "Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

(i) "State Repository" shall mean any public or private repository or entity designated by the State of Mississippi as a state repository for the purpose of the Rule. As of the

date of this Limited Continuing Disclosure Agreement, no State Repository has been so established or designated by the State of Mississippi.

**SECTION 3. Limited Agreement.** The Issuer hereby agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to any person upon request or at least annually to the State Repository, if any, financial information and operating data (collectively referred to as "Annual Financial Information") with respect to the Issuer of the type contained in the Official Statement under the Appendices A, C and D.

The Issuer reserve the right to modify from time to time the specified types of information provided in the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Issuer; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule.

**SECTION 4. Dissemination Agent.** The Issuer agrees that the Issuer's Chancery Clerk shall be designated as the Issuer's contact person and shall be vested with authority to provide the information and data referred to in Section 3 and the notices referred to in Section 5. The name, address and telephone number of the initial Dissemination Agent is as follows:

Chancery Clerk of George County  
George County Courthouse  
355 Cox Street, Suite A  
Lucedale, Mississippi 39452  
Telephone Number: (601) 947-4801

**SECTION 5. Reporting of Listed Events.** This Section 5 shall govern the giving of notices of the occurrence of any of the following Listed Events, to the extent they are applicable:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax exempt status of the Bonds;
- (7) Modification to rights of holders of the Bonds;
- (8) Bond calls;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Bonds;
- (11) Rating changes; and
- (12) Failure by the Issuer to provide the notice of the occurrence of a Listed Event.

(A) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event will constitute material information for holders of the Bonds, provided, that any event under Items 8. or 9. in this Section 5 will always be deemed to be material.



(B) If the Issuer determines that knowledge of the occurrence of a Listed Event would be material, the Issuer shall promptly file a notice of such occurrence with each Repository with a copy to the Paying Agent. Notwithstanding the foregoing, notice of Listed Events described in Items 8. and 9. in this Section 5 need not be given under this subsection any earlier than the notice (if any) of the underlying event as given to the holders of affected Bonds pursuant to the Bond Resolution.

**SECTION 6. Termination of Reporting Obligation.** The Issuer's obligations under this Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the Bonds.

**SECTION 7. Amendment: Waiver.** Notwithstanding any other provision of this Agreement the Issuer may amend this Agreement and any provisions of this Agreement may be waived, if such amendment or waiver is supported by opinion of counsel, expert and federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the Agreements herein to violate the Rule if such amendment or waiver had been effected on the date hereof, but taking into account any subsequent change in or official interpretation of the Rule.

**SECTION 8. Additional Information.** Nothing in this Agreement shall be deemed to prevent the Issuer from dissemination of any other information, using the means of dissemination set forth in the Agreement or any other means of communication, in addition to that which is required by this Agreement. If the Issuer chooses to disclose any information or date or notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future report or notice of occurrence of a Listed Event.

**SECTION 9. Default.** In the event of a failure of the Issuer to comply with any provision of this Agreement, any Bondholder or beneficial owner may take such action as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligation under this Agreement. A default under this Agreement shall be not be deemed an event of default unto the Bond Resolution, and the sole remedy under this Agreement in the event of any failure of the Issuer to comply with this Agreement shall be an action to compel performance.

**SECTION 10. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as specifically set forth in this Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent harmless against any loss, expense and liabilities which he or she may incur arising out of or in the exercise of performance of the powers and duties hereunder, including the costs and expenses (including attorney fees) of defending against any claim of liability. The obligation of the Issuer under this section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**SECTION 11. Beneficiaries.** This Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Paying Agent, the Bondholders and the beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**DATE:** \_\_\_\_\_, 2008

**GEORGE COUNTY, MISSISSIPPI**

**By:** \_\_\_\_\_  
**Kelly W. Wright, President**  
**Board of Supervisors of George County,**  
**Mississippi**

**ATTEST:**

\_\_\_\_\_  
**Cammie B. Byrd, Chancery Clerk**  
**Board of Supervisors, George County,**  
**Mississippi**

**APPENDIX F**  
**FORM OF OPINION OF BOND COUNSEL**

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## **[FORM OF OPINION OF BOND COUNSEL]**

Board of Supervisors  
George County, Mississippi

Dear Sirs:

We have acted as Bond Counsel for George County, Mississippi (the "County"), in connection with the issuance of the George County, Mississippi General Obligation Bonds, Series 2008, dated December 1, 2008, in the total authorized aggregate amount of \$2,360,000 (the "Bonds").

The Bonds bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the resolution adopted by the Board of Supervisors of the County authorizing their issuance (the "Bond Resolution"). Capitalized terms contained and not defined herein shall have the same meaning as set forth in the Bond Resolution.

We have acted as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the laws of the State of Mississippi, and with respect to the exemption of interest on the Bonds from federal and Mississippi income taxation. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the certified transcript of proceedings described in the following paragraph. We have relied on the authenticity, truthfulness and completeness set forth in such documents, instruments and certificates. We have not assumed any responsibility with respect to the financial condition or capabilities of the County or the disclosure thereof in connection with the sale of the Bonds.

In our capacity as Bond Counsel, we have participated in the preparation of and have examined a certified transcript of proceedings pertaining to the Bonds which contains copies of certain proceedings of the County, customary certificates of officers, agents and representatives of the County and other public officials and other matters relating to the authorization and issuance of the Bonds including a certification of the County prepared pursuant to Section 1.148-2(b)(2)(i) of the United States Treasury Regulations (the "Non-Arbitrage Certificate"). We have also examined executed Bond No. R-1 of this issue.

Based upon the foregoing, it is our opinion, on the date hereof, that:

1. The transcript of proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the laws of the State of Mississippi presently in effect, that the Bonds constitute valid and legally binding obligations of the County, that the Bonds are payable from and secured by an irrevocable pledge of the avails of a direct and continuing tax to be levied annually without limitation as to time, rate or amount upon all the taxable property within the geographical limits of the County; provided, however, that such tax levy for any year

shall be abated pro tanto to the extent the County on or prior to September 1 of that year has transferred money to the 2008 Bond Fund of the Bonds, or has made other provisions for funds, to be applied toward the payment of the principal of and interest on the Bonds due during the ensuing fiscal year of the County, in accordance with the provisions of the Bond Resolution.

2. Under existing law, regulations and court decisions, as presently interpreted and construed, interest on the Bonds is exempt from all present taxes imposed by the State of Mississippi and any county, municipality or other political subdivision of the State of Mississippi, except for inheritance, estate and transfer taxes.

3. Interest on the Bonds is not included in gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and interest on the Bonds is not treated as a specific item of tax preference under Section 57 of the Code in calculating the alternative minimum tax imposed by Section 55 of the Code. Such interest, however, is includable in the "adjusted current earnings" of a corporation for purposes of computing the alternative minimum tax and the environmental tax imposed on corporations. The adjustment for "adjusted current earnings" set forth in Section 56(g) of the Code is required in determining a corporation's alternative minimum taxable income. The alternative minimum taxable income is increased by 75 percent of the excess (if any) of (i) the "adjusted current earnings" of a corporation over (ii) its alternative minimum taxable income (determined without regard to this adjustment and the alternative tax net operating loss deduction). Interest on tax-exempt obligations, including the interest on the Bonds, would generally be included in computing a corporation's "adjusted current earnings". Accordingly, a portion of any interest on the Bonds received or accrued by a corporate registered owner will be included in computing such corporation's alternative minimum taxable income for such year.

4. For taxable years beginning before January 1, 1996, Section 59A of the Code imposes an environmental tax of 0.12 percent on the excess, with certain modifications, of a corporation's alternative minimum taxable income, over \$2,000,000. The environmental tax imposed by Section 59A of the Code is imposed independently from the alternative minimum tax on corporations and is deductible from gross income. Interest on the Bonds is included in alternative minimum taxable income for purposes of the environmental tax, to the extent reflected in the adjustment for "adjusted current earnings".

The Board of Supervisors, acting for and on behalf of the County, has covenanted in the Bond Resolution that it will not make any use of the gross proceeds of the Bonds or amount that may be treated as proceeds of the Bonds or do or take or omit to take any other action that would cause: (i) the Bonds to be "arbitrage bonds" as such term is defined in Section 148(a) of the Code and the Regulations promulgated thereunder; (ii) the interest on the Bonds to be included in the gross income of the registered owners for federal income taxation purposes; or (iii) the interest on the Bonds to be treated as an item of tax preference under Section 57(a)(5) of the Code. Failure of the County to comply with such covenants could result in the interest on the Bonds being subject to federal income tax from the date of issue.

In rendering the foregoing opinion, Bond Counsel has assumed the continuing compliance by the County with the tax covenants and representations in the Bond Resolution and

the representations in the Non-Arbitrage Certificate. These requirements relate to, *inter alia*, the use and investment of the gross proceeds of the Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds have resulted in a failure of the County to comply with its covenants. Failure of the County to comply with such covenants could result in the interest on the Bonds becoming subject to federal income tax from the date of issue.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds.

In particular, attention is called to the fact that Section 265(b)(1) of the Code provides that commercial banks, thrift institutions and other financial institutions may not deduct the portion of their otherwise allowable interest expense allocable to tax exempt obligations acquired after August 7, 1986 (other than "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code). The County has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3)(C) of the Code. Eighty percent (80%) of the interest expense deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry "qualified tax-exempt obligations" is deductible.

Section 1375 of the Code imposes a tax on the "excess net passive investment income" of S corporations that have Subchapter C earnings and profits at the close of the taxable year, if more than twenty-five percent (25%) of the gross receipts of such S corporations is passive investment income. Interest on the Bonds is included in the calculation of excess net passive income.

Section 265 of the Code denies a deduction for interest paid on borrowed funds to purchase or carry tax-exempt obligations. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

Owners of the Bonds should consult their own tax advisors as to the applicability and effect on their federal income taxes of the alternative minimum tax, the environmental tax, the branch profits tax and the tax on passive investment income of corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

It is understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the Bond Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar law affecting creditors' rights heretofore or hereafter enacted and that the enforcement thereof may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Very truly yours,

BUTLER, SNOW, O'MARA, STEVENS & CANNADA, PLLC

Jackson 3517562v.2





