



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

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SCOTT COUNTY, MISSISSIPPI

**Audited Financial Statements and Special Reports
For the Year Ended September 30, 2003**

SCOTT COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION 1

INDEPENDENT AUDITOR'S REPORT 3

MANAGEMENT'S DISCUSSION AND ANALYSIS 5

FINANCIAL STATEMENTS 17

 Statement of Net Assets 18

 Statement of Activities 19

 Balance Sheet - Governmental Funds 20

 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets 21

 Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds 22

 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities 23

 Statement of Fiduciary Assets and Liabilities 24

 Notes to Financial Statements 25

REQUIRED SUPPLEMENTARY INFORMATION 41

 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
 General Fund 42

 Notes to the Required Supplementary Information 43

SUPPLEMENTAL INFORMATION 45

 Reconciliation of Operating Costs of Solid Waste 47

SPECIAL REPORTS 49

 Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based
 on an Audit of the Primary Government Financial Statements Performed in Accordance With
 Government Auditing Standards 51

 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)) 53

 Independent Auditor's Report on Compliance with State Laws and Regulations 59

SCHEDULE OF FINDINGS 61

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SCOTT COUNTY

FINANCIAL SECTION

SCOTT COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Scott County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Scott County, Mississippi, as of and for the year ended September 30, 2003, which collectively comprise the county's basic 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Scott County, Mississippi, as of September 30, 2003, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, Scott County, Mississippi, implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective October 1, 2002.

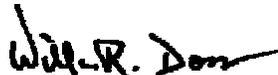
In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2004, on our consideration of Scott County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 7 through 15 and the Budgetary Comparison Schedule and corresponding notes on pages 42 through 43 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 inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Scott County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. 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

October 7, 2004

SCOTT COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

SCOTT COUNTY

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Scott County
Management's Discussion and Analysis
For the Year Ended September 30, 2003

INTRODUCTION

The discussion and analysis of Scott County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2003. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is a new element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No. 34, the Statement permits the omission of prior year data in the year of implementation. The County has elected not to present comparative data.

Scott County is located in southeastern Mississippi along Interstate I-20. The population, according to the 2000 census, is 28,423. The local economic base is driven mainly by manufacturing and poultry processing.

FINANCIAL HIGHLIGHTS

Scott County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Total net assets increased \$1,532,167, which represents a 14% increase from the prior fiscal year. The County's ending cash balance increased by \$456,704, which represents a 9% increase from the prior fiscal year.

The County had \$10,919,463 in total revenues. Tax revenues account for \$5,573,460 or 51% of total revenues. State revenues in the form of reimbursements, shared revenue or grants, account for \$2,640,206 or 24% of total revenues. Charges for services by the county in the form of emergency services and charges for housing prisoners amounted to \$1,948,785 or 18 % of total revenues

The County had \$9,387,296 in total expenses, which represents an decrease of \$200,128 or 2% increase from the prior fiscal year. Expenses in the amount of \$2,507,394 were offset by grants and outside contributions. General revenues of \$6,463,284 were adequate to provide for the remainder of the expenses.

The General Fund, which is the only major fund, had \$5,736,000 in revenues and \$6,035,057 in expenditures. The General Fund's fund balance decreased \$294,705 under the prior year.

Capital assets, net of accumulated depreciation, decreased by \$2,618,613. This decrease is a result of the implementation of GASB statement 34 which requires the calculation of depreciation expense and accumulated depreciation.

Long-term debt decreased by \$395,939.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Figure 1 – Required Components of the County's Annual Report

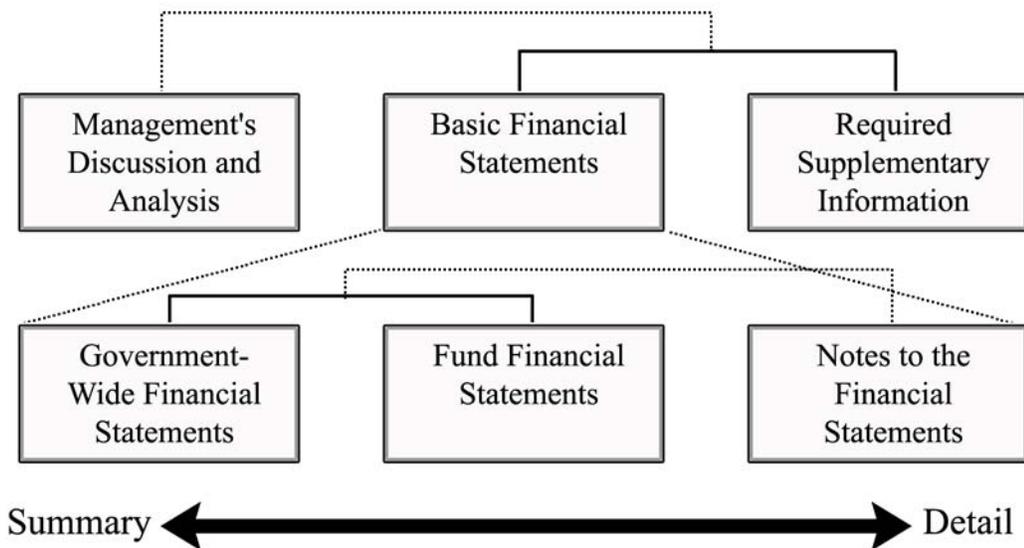


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County’s financial statements, including the portion of the County’s government they cover and the types of information they contain. The remainder of this section of Management’s Discussion and Analysis explains the structure and content of each of the statements.

Figure 2 – Major Features of the County’s Government-Wide and Fund Financial Statements

	Government -Wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	The County is the trustee or agent for someone else’s resources
Required financial statements	<ul style="list-style-type: none"> ● Statement of net assets ● Statement of activities 	<ul style="list-style-type: none"> ● Balance sheet ● Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> ● Statement of fiduciary net assets ● Statement of changes in net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

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

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

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; economic development; and interest on long-term debt.

The Government-wide Financial Statements can be found on pages 18 - 19 of this report.

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 21 and 23, respectively.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the major fund. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 20 - 23 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 24 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 25 - 39 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund. This required supplementary information can be found on pages 42 - 43 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – Net assets may serve over time as a useful indicator of government's financial position. In the case of Scott County, assets exceeded liabilities by \$12,562,854 as of September 30, 2003.

By far, the largest portion of the County's net assets (63%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

The County's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the County's net assets for the fiscal year ended September 30, 2003.

	<u>Governmental Activities</u>
Current assets	\$ 11,409,997
Capital assets, net	<u>11,119,913</u>
Total assets	<u>22,529,910</u>
Current liabilities	6,568,781
Long-term debt outstanding	<u>3,398,275</u>
Total liabilities	<u>9,967,056</u>
Net assets:	
Invested in capital assets, net of related debt	7,906,527
Restricted	3,534,411
Unrestricted	<u>1,121,916</u>
Total net assets	<u>\$ 12,562,854</u>

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

- Roads and Bridges were added to the County's inventory, due to accounting changes implemented by the "Governmental Accounting Standards Board". This resulted in an additional \$550,326 of capital assets being booked for the first time in the 2003 fiscal year.
- \$413,540 of long-term debt principal was retired.

Changes in Net Assets –Scott County's total revenues for the fiscal year ended September 30, 2003 was \$10,919,463. The total cost for all services provided was \$9,387,296. The increase in net assets was \$1,532,167. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2003.

	<u>Amount</u>
Revenues:	
Program revenues	
Charges for services	\$ 1,948,785
Federal grants	307,323
State grants	2,200,071
General revenues	
Property taxes	5,573,460
Road and bridge privilege taxes	331,646
Other	<u>558,178</u>
Total Revenues	<u>10,919,463</u>

	<u>Amount</u>
Expenses:	
General Government	2,824,033
Public Safety	3,165,484
Public Works	2,524,400
Health and Welfare	216,167
Culture and Recreation	122,027
Conservation of Natural Resources	268,799
Economic Development	112,061
Other Expenses	<u>154,325</u>
Total Expenses	<u>9,387,296</u>
 Increase in Net Assets	 <u>\$ 1,532,167</u>

Governmental Activities – The following table presents the cost of the functional activities of the County: General Government, Public Safety, Public Works, Health and Welfare, Culture and Recreation, Conservation of Natural Resources, Economic Development and Other Expenses.

The table also shows each function’s net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Scott County’s taxpayers by each of these functions.

	<u>Total Costs</u>	<u>Net Costs</u>
General Government	\$ 2,824,033	(2,115,183)
Public Safety	3,165,484	(2,003,225)
Public Works	2,524,400	(47,372)
Health and Welfare	216,167	(132,413)
Culture and Recreation	122,027	(119,032)
Conservation of Natural Resources	268,799	(247,506)
Economic Development	112,061	(112,061)
Other Expenses	<u>154,325</u>	<u>(154,325)</u>
Total Expenses	<u>\$ 9,387,296</u>	<u>(4,931,117)</u>

FINANCIAL ANALYSIS OF THE COUNTY’S FUNDS

Governmental funds – At the close of the fiscal year, Scott County’s governmental funds reported a combined fund balance of \$4,703,937, a decrease of \$88,788. The primary reasons for this decrease are highlighted in the analysis of governmental activities.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$294,705. This decrease was primarily due to health insurance cost overruns.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Scott County revised its annual operating budget on several occasions. Significant budget amendments are explained as follows:

- Amendments were made to correct the estimated beginning fund balances made in the original budget to actual beginning fund balances on October 1.
- Additional amendments were made for unexpected health insurance cost overruns.

Even with these adjustments, actual disbursements were below final budget amounts by \$196,414.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2003, Scott County's total capital assets was \$15,510,119. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$1,771,593. The majority of the increase was due to the addition of infrastructure and the construction of new infrastructure at September 30, 2003.

Total accumulated depreciation as of September 30, 2003 was \$4,390,206, including \$673,400 of depreciation expense for the year. The balance in total net capital assets was \$11,119,913 at year-end.

Additional information on Scott County's capital assets can be found in note 7 on pages 32 – 33 of this report.

Debt Administration – At September 30, 2003, Scott County had \$3,398,275 in long-term debt outstanding. This includes general obligation bonds, revenue bonds, Mississippi Development Authority Loans and obligations under capital lease. Of this debt, \$605,146 is due within one year.

The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County's outstanding debt is significantly below its current limit of 20 million dollars.

Additional information on Scott County's long-term debt can be found in note 10 on pages 35 – 37 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

There is currently one additional major industry that has located in the County. While they have been given tax exemptions for County taxes, they will begin paying school taxes immediately and there will be new jobs available to bring more people to the County. This provides for an increase in assessed values on the tax rolls and more revenue to the County.

The budget for the General Fund for the next fiscal year reflected an increase of \$240,600 or 4% in revenues and an increase of \$321,752 or 6% in expenses. This is not expected to significantly increase the County's net assets in any manner.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Scott County Administrator's/Chancery Clerk's office at P.O. Box 630, Forest, Mississippi 39074.

SCOTT COUNTY

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SCOTT COUNTY

FINANCIAL STATEMENTS

SCOTT COUNTY
Statement of Net Assets
September 30, 2003

Exhibit 1

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 5,261,947
Property tax receivable	5,707,948
Fines receivable (net of allowance for uncollectibles of \$709,950)	137,279
Loans receivable	56,991
Intergovernmental receivables	146,862
Other receivables	98,970
Capital assets, net	11,119,913
Total Assets	<u>22,529,910</u>
LIABILITIES	
Claims payable	601,904
Intergovernmental payables	159,471
Deferred revenue	5,707,948
Other payables	99,458
Long-term liabilities	
Due within one year:	
Capital related debt	487,844
Non-capital debt	117,302
Due in more than one year:	
Capital related debt	2,725,542
Non-capital debt	67,587
Total Liabilities	<u>9,967,056</u>
NET ASSETS	
Invested in capital assets, net of related debt	7,906,527
Restricted:	
Expendable:	
General government	29,762
Debt service	271,675
Public safety	273,808
Public works	2,202,998
Conservation of natural resources	1,940
Economic development	477,258
Unemployment compensation	119,938
Capital projects	100,041
Other purposes	56,991
Unrestricted	1,121,916
Total Net Assets	<u>\$ 12,562,854</u>

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

SCOTT COUNTY
Statement of Activities
For the Year Ended September 30, 2003

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,824,033	708,850			(2,115,183)
Public safety	3,165,484	981,562	140,558	40,139	(2,003,225)
Public works	2,524,400	258,373	1,049,363	1,169,292	(47,372)
Health and welfare	216,167		68,796	14,958	(132,413)
Culture and recreation	122,027			2,995	(119,032)
Conservation of natural resources	268,799		21,293		(247,506)
Economic development and assistance	112,061				(112,061)
Interest on long-term debt	154,325				(154,325)
Total Governmental Activities	<u>9,387,296</u>	<u>1,948,785</u>	<u>1,280,010</u>	<u>1,227,384</u>	<u>(4,931,117)</u>
General revenues:					
Property taxes				\$ 5,573,460	
Road & bridge privilege taxes				331,646	
Grants and contributions not restricted to specific programs				440,135	
Unrestricted gifts and donations				25,000	
Unrestricted interest income				55,098	
Miscellaneous				37,945	
Total General Revenues				<u>6,463,284</u>	
Changes in Net Assets				<u>1,532,167</u>	
Net Assets - Beginning, as restated				<u>11,030,687</u>	
Net Assets - Ending				<u>\$ 12,562,854</u>	

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

SCOTT COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2003

Exhibit 3

	<u>Major Fund</u>	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
ASSETS			
Cash	\$ 1,657,493	3,604,454	5,261,947
Property tax receivable	4,104,100	1,603,848	5,707,948
Fines receivable (net of allowance for uncollectibles \$709,950)	137,279		137,279
Loans receivable		56,991	56,991
Intergovernmental receivables	146,862		146,862
Other receivables	43,878	55,092	98,970
Due from other funds		65,130	65,130
Total Assets	<u>\$ 6,089,612</u>	<u>5,385,515</u>	<u>11,475,127</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 354,648	247,256	601,904
Intergovernmental payables	159,471		159,471
Due to other funds	65,130		65,130
Deferred revenue	4,241,379	1,603,848	5,845,227
Other payables	99,458		99,458
Total Liabilities	<u>4,920,086</u>	<u>1,851,104</u>	<u>6,771,190</u>
Fund balances:			
Reserved for:			
Debt service		271,675	271,675
Loans receivable		56,991	56,991
Economic development		477,258	477,258
Unemployment compensation		119,938	119,938
Unreserved, reported in:			
General Fund	1,169,526		1,169,526
Special Revenue Funds		2,508,508	2,508,508
Capital Project Funds		100,041	100,041
Total Fund Balances	<u>1,169,526</u>	<u>3,534,411</u>	<u>4,703,937</u>
Total Liabilities and Fund Balances	<u>\$ 6,089,612</u>	<u>5,385,515</u>	<u>11,475,127</u>

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

SCOTT COUNTY
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 September 30, 2003

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 4,703,937
Amounts reported for governmental services 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 \$4,390,206.	11,119,913
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	137,279
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(3,398,275)</u>
Total Net Assets - Governmental Activities	<u>\$ 12,562,854</u>

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

SCOTT COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2003

	<u>Major Fund</u>	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
REVENUES			
Property taxes	\$ 3,872,943	1,700,517	5,573,460
Road and bridge privilege taxes		331,646	331,646
Licenses, commissions and other revenue	222,272	179,838	402,110
Fines and forfeitures	315,327		315,327
Intergovernmental revenues	576,106	2,396,423	2,972,529
Charges for services	698,097	517,213	1,215,310
Interest income	28,096	27,002	55,098
Miscellaneous revenues	23,159	14,786	37,945
Total Revenues	<u>5,736,000</u>	<u>5,167,425</u>	<u>10,903,425</u>
EXPENDITURES			
Current:			
General government	2,788,555		2,788,555
Public safety	2,706,610	312,419	3,019,029
Public works	7,500	3,979,188	3,986,688
Health and welfare	196,713	1,044	197,757
Culture and recreation	122,027		122,027
Conservation of natural resources	101,540	167,259	268,799
Economic development and assistance	97,103	14,958	112,061
Debt service:			
Principal	14,104	399,436	413,540
Interest	905	153,420	154,325
Total Expenditures	<u>6,035,057</u>	<u>5,027,724</u>	<u>11,062,781</u>
Excess of Revenues over (under) Expenditures	<u>(299,057)</u>	<u>139,701</u>	<u>(159,356)</u>
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued		60,374	60,374
Proceeds from sale of capital assets		10,194	10,194
Transfers in	4,352	2,500	6,852
Transfers out		<u>(6,852)</u>	<u>(6,852)</u>
Total Other Financing Sources and Uses	<u>4,352</u>	<u>66,216</u>	<u>70,568</u>
Net Changes in Fund Balances	<u>(294,705)</u>	<u>205,917</u>	<u>(88,788)</u>
Fund Balances - Beginning, as restated	<u>1,464,231</u>	<u>3,328,494</u>	<u>4,792,725</u>
Fund Balances - Ending	<u>\$ 1,169,526</u>	<u>3,534,411</u>	<u>4,703,937</u>

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

SCOTT COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2003

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (88,788)
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 capital outlays of \$1,892,572 exceeded depreciation of \$673,400 in the current period.	1,219,172
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 and a loss from the sale of capital assets decreases financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the proceeds from the sale of \$10,194 in the current period.	(10,194)
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.	16,038
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 \$413,540 exceeded debt proceeds of \$60,374.	353,166
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long- term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The amount of decrease in compensated absences.	93,100
The amount of increase in claims and judgements.	<u>(50,327)</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,532,167</u>

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

SCOTT COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2003

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 318,566
Intergovernmental receivables	7,101
Total Assets	<u>\$ 325,667</u>
LIABILITIES	
Other liabilities	\$ 128,310
Intergovernmental payables	197,357
Total Liabilities	<u>\$ 325,667</u>

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

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Scott 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 Scott County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county. There are no outside organizations that should be included as component units of the county's reporting entity.

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 financial statements.

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

B. 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.

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 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.

The Statement of Net Assets presents the financial condition of the governmental 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. 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 governmental function is self-financing or draws from the general revenues of the county.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

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 and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary 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.

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.

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.

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

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.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

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.

D. 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 2001 by the Government Finance Officers Association and the *Mississippi County Financial Accounting Manual* as revised in 2002 by the Office of the State Auditor.

E. 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.

F. Receivables.

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

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

H. 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 governmental activities column in the government-wide financial statement. 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.

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

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

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. 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.

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 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 will correspond with the amounts for the asset classification, as listed above.

I. 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, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

J. 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, constructions or improvements of those assets.

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:

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved.

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.

K. 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.

L. 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.

M. 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. 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. Therefore, the county's full liability in the amount of \$67,587 for accumulated unpaid personal leave up to a maximum of 30 days per employee is reported as a liability in the Statement of Net Assets.

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(2) Changes in Accounting Principles and Restatement of Fund Balance.

For the fiscal year ended September 30, 2003, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

GASB Statement No. 34, as amended by Statement No. 37, creates new basic financial statements for reporting on the county's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements prepared on the modified accrual basis of accounting, which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total on the fund financial statements as other Governmental Funds. Fund reclassifications and adjustments to the fund equities reported in the prior year financial statements were required as a result of the conversion to GASB Statement No. 34.

GASB Statement No. 38 requires certain note disclosures with the implementation of GASB Statement No. 34.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The provisions of these new statements have been incorporated into the financial statements and the accompanying notes. The following table summarizes the reclassifications and adjustments to the fund equity amounts reported in the prior year financial statements:

	Sept. 30, 2002 As Previously Reported	Fund and Account Group Reclassifications	Prior Period Adjustments	Sept. 30, 2002 As Restated
Governmental Funds and Governmental Activities				
Major Fund:				
General	\$ 1,464,231			1,464,231
Other Governmental Funds:				
Special Revenue	2,874,877	173,202		3,048,079
Debt Service	236,360	(54,852)		181,508
Capital Projects	98,907			98,907
 Total Governmental Funds	 4,674,375	 118,350	 0	 4,792,725
Governmental Activities:				
Capital assets, net		13,738,526	(3,827,591)	9,910,935
Long-term liabilities		(3,794,214)		(3,794,214)
Fines receivable			121,241	121,241
 Total Governmental Funds and Governmental Activities	 \$ 4,674,375	 10,062,662	 (3,706,350)	 11,030,687

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

	Sept. 30, 2002 As Previously Reported	Fund and Account Group Reclassifications	Prior Period Adjustments	Sept. 30, 2002 As Restated
Fiduciary Funds				
Expendable Trust	\$ 118,350	(118,350)	0	0
Account Groups				
General Fixed Assets	\$ 13,738,526	(13,738,526)		0
General Long-term Debt	(3,794,214)	3,794,214		0
Total Account Groups	\$ 9,944,312	(9,944,312)	0	0

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2003, was \$5,580,513, and the bank balance was \$5,632,050. 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.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2003:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	General	\$ <u>65,130</u>

The interfund receivables represent the tax revenue collected but not settled until October, 2003. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 4,352
Other Governmental Funds	Other Governmental Funds	<u>2,500</u>
Total		\$ <u>6,852</u>

The purpose of the loans was to provide funds for debt repayments. The transfers were routine and consistent with the activities of the fund making the transfer.

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2003, consisted of the following:

<u>Description</u>	<u>Amount</u>
Legislative tag credit	\$ 121,390
Reimbursement for housing prisoners	<u>25,472</u>
Total Governmental Activities	<u>\$ 146,862</u>

(6) Loans Receivable.

Loans receivable balances at September 30, 2003, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
Maxim Manufacturing Company	05/00	4.50	06/05	<u>\$ 56,991</u>

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2003:

	<u>Balance Oct. 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments *</u>	<u>Balance Sept. 30, 2003</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 428,387	7,500			435,887
Construction in progress		930,979			930,979
Total non-depreciable capital assets	<u>428,387</u>	<u>938,479</u>	<u>0</u>	<u>0</u>	<u>1,366,866</u>
<u>Depreciable capital assets:</u>					
Infrastructure		550,326			550,326
Buildings	6,479,591			(186,468)	6,293,123
Improvements other than buildings	28,411			(28,411)	
Mobile equipment	4,530,923	334,600	82,781	728,364	5,511,106
Furniture and equipment	780,600	8,793		(551,683)	237,710
Leased property under capital leases	1,490,614	60,374			1,550,988
Total depreciable capital assets	<u>13,310,139</u>	<u>954,093</u>	<u>82,781</u>	<u>(38,198)</u>	<u>14,143,253</u>

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

	Balance <u>Oct. 1, 2002</u>	Additions	Deletions	Adjustments *	Balance <u>Sept. 30, 2003</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure		7,716			7,716
Buildings		125,871		903,357	1,029,228
Mobile equipment		400,362	72,587	2,378,180	2,705,955
Furniture and equipment		2,564		219,760	222,324
Leased property under capital leases		136,887		288,096	424,983
Total accumulated depreciation	<u>0</u>	<u>673,400</u>	<u>72,587</u>	<u>3,789,393</u>	<u>4,390,206</u>
 Total depreciable capital assets, net	 <u>13,310,139</u>	 <u>280,693</u>	 <u>10,194</u>	 <u>(3,827,591)</u>	 <u>9,753,047</u>
 Governmental activities capital assets, net	 <u>\$ 13,738,526</u>	 <u>1,219,172</u>	 <u>10,194</u>	 <u>(3,827,591)</u>	 <u>11,119,913</u>

* Adjustments are the effect of implementing GASB 34.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 79,228
Public safety	154,924
Public works	420,838
Health and welfare	<u>18,410</u>
 Total governmental activities depreciation expense	 \$ <u><u>673,400</u></u>

As of September 30, 2003, the county had the following commitments with respect to unfinished capital projects:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
State aid project SAP 62(10)S	\$ 295,399	October 2004
State aid project SAP 62(55)	101,841	December 2003
State aid project BR 0482(5)B	<u>313,030</u>	October 2004
 Totals	 \$ <u><u>710,270</u></u>	

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(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 \$500,000 for law enforcement personnel and \$350,000 for all other employees 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, 2003, to January 1, 2004. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The county finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the county retaining the risk of loss on all claims to which the county is exposed. Premium payments to the pool are determined on an actuarial basis. The county has reinsurance which functions on a specific stop loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$25,000. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Changes in the balances of claims liabilities during the year are as follows:

Unpaid Claims, Beginning of Fiscal Year	\$ 66,975
Plus: Incurred Claims (Including IBNRs)	1,323,276
Less: Claims Payments	<u>1,272,949</u>
Unpaid Claims, End of Fiscal Year	<u><u>\$ 117,302</u></u>

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2003:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Buildings	\$ 65,000
Mobile equipment	<u>1,485,988</u>
Total	1,550,988
Less: Accumulated depreciation	<u>424,983</u>
Leased Property Under Capital Leases	<u><u>\$ 1,126,005</u></u>

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

The following is a schedule by years of the total payments due as of September 30, 2003:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 241,735	46,725
2005	675,274	26,164
2006	41,752	5,785
2007	123,457	3,908
2008	3,198	39
Total	<u>\$ 1,085,416</u>	<u>82,621</u>

(10) Long-term Debt.

Debt outstanding as of September 30, 2003, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
A. General Obligation Bonds:			
Courthouse construction	\$ 765,000	5.30/5.50	04/10
Equestrian center building	120,000	4.90/5.20	04/07
District 2 special road	85,000	4.62/4.80	03/08
Total General Obligation Bonds	<u>\$ 970,000</u>		
B. Capital Leases:			
Office building	\$ 7,385	6.00	03/04
District 1 Dodge Ram 1500 truck	5,858	5.34	04/04
District 2 Dodge Ram 1500 truck	2,490	5.34	04/04
District 4 Caterpillar 320BL excavator	101,576	5.64	06/05
District 5 Caterpillar 320BL excavator	101,271	5.64	06/05
District 5 2000 RD688S Mack truck	28,989	5.63	06/05
District 1 2000 RD688S Mack truck	31,007	5.63	07/05
District 2 2000 RD688S Mack truck	31,007	5.63	07/05
District 1 12H Caterpillar motor grader	120,751	5.87	09/05
District 1 Caterpillar 315B excavator	77,731	5.87	09/05
District 2 12H Caterpillar motor grader	120,676	5.87	09/05
District 5 12H Caterpillar motor grader	121,030	5.87	10/04
District 2 Caterpillar 928G backhoe	72,810	5.38	12/03
District 2 New Holland tractor	7,007	4.75	05/04
District 4 140H Caterpillar motor grader	148,573	5.87	09/05
District 5 tractor and boom	52,297	5.87	10/04
District 4 Ford tractor and mower	33,959	3.35	05/06
District 5 Ford pickup	20,999	3.29	05/08
Total Capital Leases	<u>\$ 1,085,416</u>		

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
C. Other Loans:			
Equestrian center	\$ 599,098	3.00	08/13
Rail services loan	56,453	3.70	09/09
Five fire trucks	382,653	3.00	04/11
Two fire trucks	119,766	3.00	05/11
Total Other Loans	<u>\$ 1,157,970</u>		

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

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2004	\$ 130,000	51,711	116,109	33,616
2005	140,000	48,022	121,976	29,995
2006	145,000	37,783	125,706	26,265
2007	165,000	30,140	129,552	22,419
2008	135,000	21,310	133,516	18,455
2009 - 2013	255,000	21,175	520,998	35,538
2014 - 2018			10,113	352
Total	<u>\$ 970,000</u>	<u>210,141</u>	<u>1,157,970</u>	<u>166,640</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, 2003, the amount of outstanding debt was equal to 1.6% of the latest property assessments.

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2003:

	Balance Oct. 1, 2002	Additions	Reductions	Adjustments *	Balance Sept. 30, 2003	Amount due within one year
Compensated absences	\$ 160,687	67,587	72,608	(88,079)	67,587	
Claims and judgments	66,975	1,323,276	1,272,949		117,302	117,302
General obligation bonds	1,095,000		125,000		970,000	130,000
Capital leases	1,196,493	60,374	171,451		1,085,416	241,735
Other loans	1,275,059		117,089		1,157,970	116,109
Total	\$ 3,794,214	1,451,237	1,759,097	(88,079)	3,398,275	605,146

* Adjustment was to reduce the compensated absences liability by the amount of major medical leave included in prior years.

(11) Contingencies.

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

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

(12) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the county's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the county other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the county's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

<u>Description</u>	<u>Balance at Sept. 30, 2003</u>
Industrial revenue bonds	\$ <u>1,000,000</u>

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

(13) Joint Venture.

The county participates in the following joint venture:

Scott County is a participant with Rankin, Smith and Simpson Counties in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Central Mississippi Regional Library System. The joint venture was created to provide library service to the public and is governed by a five-member board of which two members are appointed by Rankin County and one member each from the other three counties. By contractual agreement, the county's appropriation to the joint venture was \$133,120 in fiscal year 2003. Complete financial statements for the Central Mississippi Regional Library System can be obtained from 3470 Hwy 80 East, Pearl, MS 39208.

(14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

East Central Community College operates in a district composed of the Counties of Leake, Neshoba, Newton, Scott and Winston. The Scott County Board of Supervisors appoints six of the 30 members of the college board of trustees. The county appropriated \$338,329 for maintenance and support of the college in fiscal year 2003.

Central Mississippi Emergency Medical Services District operates in a district composed of the Counties of Attala, Clarke, Copiah, Holmes, Lauderdale, Leake, Madison, Neshoba, Rankin, Scott, Smith, Warren and Yazoo. The Scott County Board of Supervisors appoints two of the 26 members of the board. The county provided no financial support in fiscal year 2003.

East Central Community Action Agency, Inc., operates in a district composed of the Counties of Leake, Neshoba, Rankin, Scott and Smith. The Scott County Board of Supervisors appoints two of the 30 board members. The county provides a modest amount of support when matching funds are required for federal grants. The county provided no financial support in fiscal year 2003.

East Central Mississippi Planning and Development District operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Scott County Board of Supervisors appoints one of the 15 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$37,513 for support of the district in fiscal year 2003.

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Scott County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$31,000 for support of the commission in fiscal year 2003.

Mid-Mississippi Development District operates in a district composed of the Counties of Clarke, Jasper, Lauderdale, Newton, Scott and Smith. The district was organized to foster, encourage and facilitate economic development in the member counties. The district's board of trustees is composed of 30 members, five each from the six-member counties. The county appropriated \$33,846 for support of the district in the fiscal year 2003.

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(15) Defined Benefit Pension Plan.

Plan Description. Scott 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 current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2003, 2002 and 2001 were \$274,068, \$276,389 and \$259,924, respectively, equal to the required contributions for each year.

(16) Other Information.

As a result of revenue shortfalls, the State Tax Commission had to withhold 7.9% of the March 2003 homestead exemption reimbursement from local governments. The amount withheld from Scott County during the 2002-2003 fiscal year was \$18,913.

(17) Subsequent Events.

Subsequent to September 30, 2003, the county issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
12/01/03	3.02	\$ 134,439	Lease purchase	Ad valorem taxes, fuel tax
12/10/03	3.19	43,680	Lease purchase	Ad valorem taxes, fuel tax
04/06/04	2.96	40,719	Lease purchase	Ad valorem taxes, fuel tax
06/08/04	3.00	67,287	Lease purchase	Ad valorem taxes, fuel tax
06/23/04	3.19	25,171	Lease purchase	Ad valorem taxes, fuel tax

SCOTT COUNTY

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SCOTT COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCOTT COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,909,900	3,881,613	3,881,613	
Licenses, commissions and other revenue	285,050	313,052	313,052	
Fines and forfeitures	273,000	367,121	309,271	(57,850)
Intergovernmental revenues	458,700	518,255	576,106	57,851
Charges for services	437,300	672,625	672,625	
Interest income	64,000	31,642	28,247	(3,395)
Miscellaneous revenues	76,300	83,179	86,734	3,555
Total Revenues	<u>5,504,250</u>	<u>5,867,487</u>	<u>5,867,648</u>	<u>161</u>
EXPENDITURES				
Current:				
General government	2,623,700	2,747,873	2,747,873	
Public safety	2,577,813	2,635,946	2,635,946	
Health and welfare	215,140	201,593	201,593	
Culture and recreation	133,120	133,120	133,120	
Conservation of natural resources	133,089	106,767	106,767	
Economic development and assistance	55,953	93,158	93,158	
Debt service:				
Principal	19,050	14,104	14,104	
Interest		905	905	
Bond issue costs		3,144	3,144	
Total Expenditures	<u>5,757,865</u>	<u>5,936,610</u>	<u>5,936,610</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(253,615)</u>	<u>(69,123)</u>	<u>(68,962)</u>	<u>161</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		8,987	8,987	
Transfers in		4,352	4,352	
Total Other Financing Sources and Uses	<u>0</u>	<u>13,339</u>	<u>13,339</u>	<u>0</u>
Net Change in Fund Balance	(253,615)	(55,784)	(55,623)	161
Fund Balances - Beginning	<u>1,289,700</u>	<u>596,771</u>	<u>658,872</u>	<u>62,101</u>
Fund Balances - Ending	<u>\$ 1,036,085</u>	<u>540,987</u>	<u>603,249</u>	<u>62,262</u>

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

SCOTT COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2003

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.

For the year ended September 30, 2003, the county implemented GASB Statement No. 41 - *Budgetary Comparison Schedules - Perspective Differences*, which amends GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The statement clarifies the budgetary presentation requirements. 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)	\$ (55,623)
Increase (Decrease)	
Net adjustments for revenue accruals	(21,295)
Net adjustments for expenditure accruals	<u>(217,787)</u>
GAAP Basis	<u>\$ (294,705)</u>

SCOTT COUNTY

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SCOTT COUNTY

SUPPLEMENTAL INFORMATION

SCOTT COUNTY

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SCOTT COUNTY

Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2003

Operating Expenditures, Cash Basis:

Salaries	\$	129,310
Expendable Commodities:		
Gasoline and petroleum products		28,156
Repair parts		16,496
Clothing		3,949
Maintenance		17,240
Insurance on equipment		368
Supplies		<u>8,266</u>
Solid Waste Cash Basis Operating Expenditures		203,785
Full Cost Expenses:		
Indirect administrative costs		16,074
Depreciation on equipment		<u>26,813</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>246,672</u></u>

SCOTT COUNTY

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SCOTT COUNTY

SPECIAL REPORTS

SCOTT COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Scott County, Mississippi

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Scott County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated October 7, 2004. 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.

Compliance

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

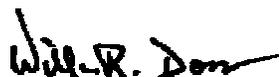
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Scott County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 specified 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

October 7, 2004



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
Scott County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Scott County, Mississippi, as of and for the year ended September 30, 2003. 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 Scott 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 Scott 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.

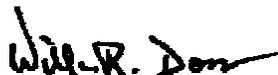
In our opinion, Scott County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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 Scott 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

October 7, 2004

SCOTT COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2003

Schedule 1

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

SCOTT COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2003

Schedule 2

Our test results did not identify any emergency purchases.

SCOTT COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2003

Schedule 3

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

SCOTT COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Scott County, Mississippi

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Scott County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated October 7, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. 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.

With respect to the items tested, the results of those procedures and our audit of the financial statements disclosed no instances of noncompliance with state laws and regulations.

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 specified party. However, this report is a matter of public record and its distribution is not limited.

Handwritten signature of Phil Bryant in black ink.

PHIL BRYANT
State Auditor

Handwritten signature of William R. Doss in black ink.

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

October 7, 2004

SCOTT COUNTY

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SCOTT COUNTY

SCHEDULE OF FINDINGS

SCOTT COUNTY

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SCOTT COUNTY

Schedule of Findings
For the Year Ended September 30, 2003

Section 1: Summary of Auditor's Results

Financial Statements:

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

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.