

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

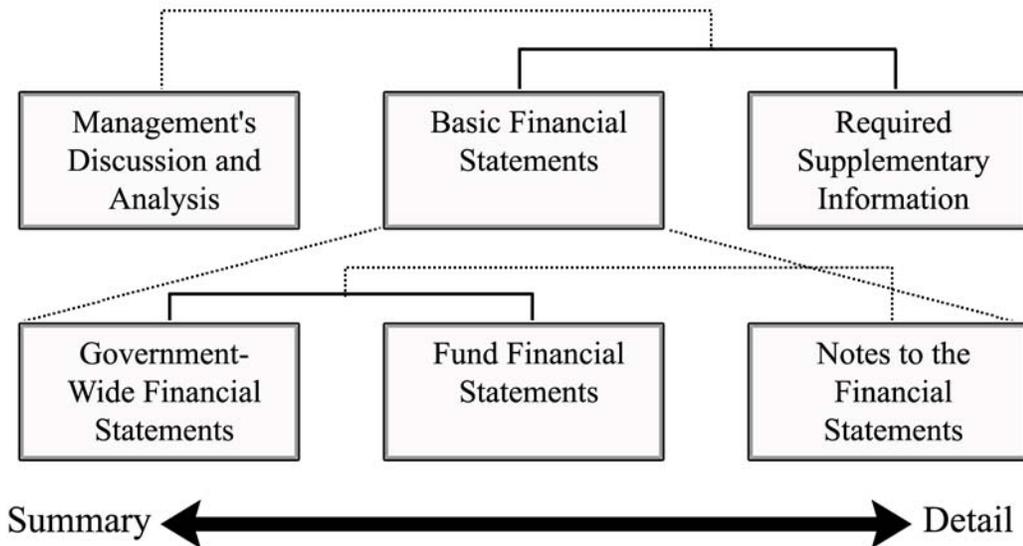


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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.