

SCOTT COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2010

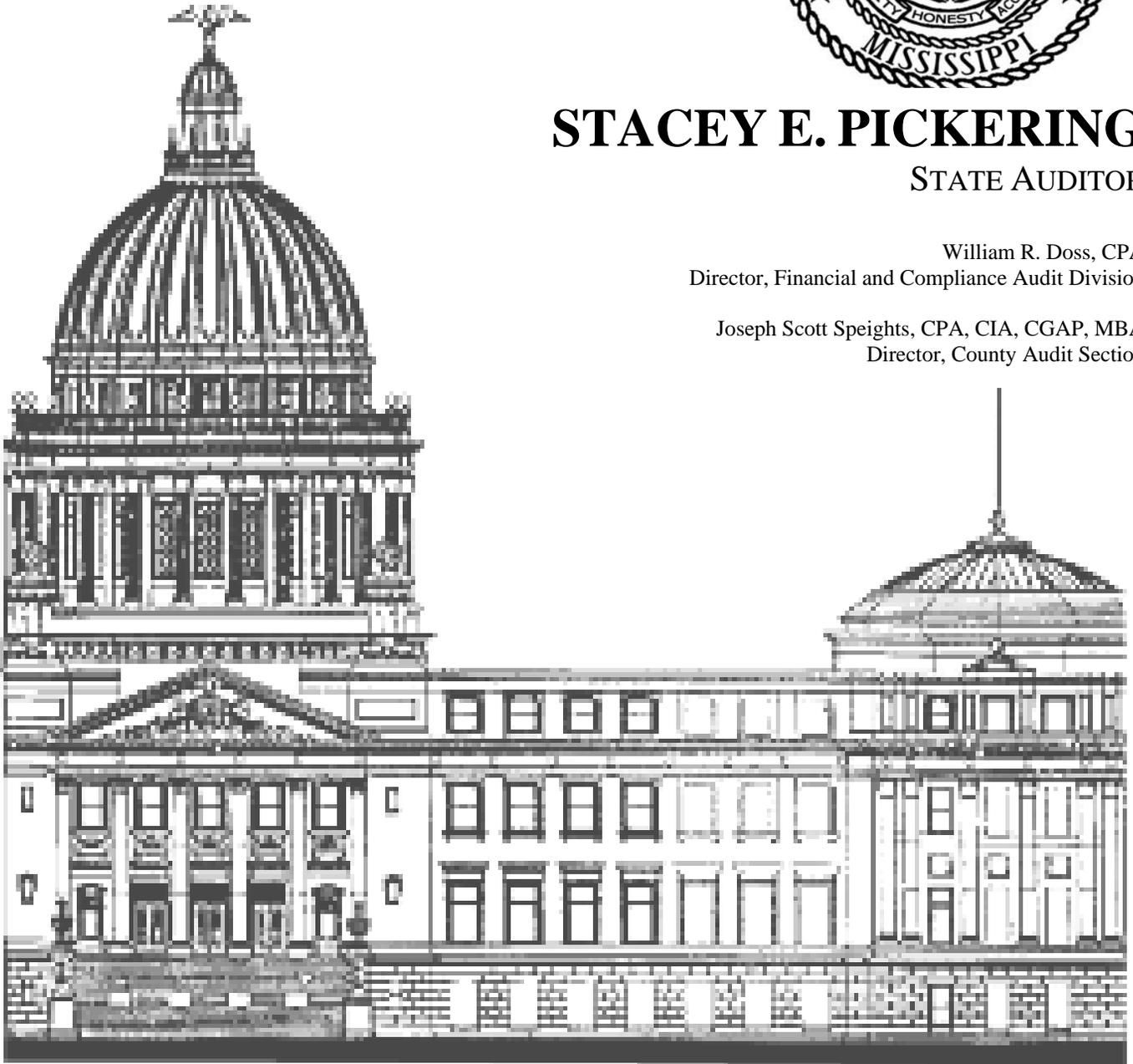


STACEY E. PICKERING

STATE AUDITOR

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

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

October 31, 2011

Members of the Board of Supervisors
Scott County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2010 financial and compliance audit report for Scott County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

I appreciate the cooperation and courtesy extended by the officials and employees of Scott County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Scott County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering".

Stacey E. Pickering
State Auditor

SCOTT COUNTY
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SCOTT COUNTY

FINANCIAL SECTION

SCOTT COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Scott County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Scott County, Mississippi, as of and for the year ended September 30, 2010, 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Scott County, Mississippi, as of September 30, 2010, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2011, on our consideration of Scott County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Scott County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. 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. The Schedule of Expenditures of Federal Award and the Reconciliation of Operating Costs of Solid Waste are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



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

October 31, 2011

SCOTT COUNTY

FINANCIAL STATEMENTS

SCOTT COUNTY

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SCOTT COUNTY
Statement of Net Assets
September 30, 2010

Exhibit 1

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 7,721,993
Property tax receivable	8,572,400
Accounts receivable (net of allowance for uncollectibles of \$409,263)	207,004
Fines receivable (net of allowance for uncollectibles of \$1,055,125)	386,737
Intergovernmental receivables	300,244
Other receivables	169,204
Capital assets:	
Land and construction in progress	12,878,252
Other capital assets, net	<u>11,737,900</u>
Total Assets	<u><u>41,973,734</u></u>
LIABILITIES	
Claims payable	612,517
Intergovernmental payables	182,075
Accrued interest payable	208,797
Deferred revenue	8,572,400
Other payables	6,632
Long-term liabilities	
Due within one year:	
Capital debt	742,882
Due in more than one year:	
Capital debt	11,431,740
Non-capital debt	<u>156,263</u>
Total Liabilities	<u><u>21,913,306</u></u>
NET ASSETS	
Invested in capital assets, net of related debt	12,441,530
Restricted:	
Expendable:	
General government	564,448
Debt service	826,596
Public safety	375,635
Public works	2,758,204
Unemployment compensation	103,084
Capital projects	1,867,543
Unrestricted	<u>1,123,388</u>
Total Net Assets	<u><u>\$ 20,060,428</u></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, 2010

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	\$ 3,193,642	1,248,588	7,580		(1,937,474)
Public safety	3,767,496	500,987	33,876	200,000	(3,032,633)
Public works	4,179,365	547,955	1,025,087	851,636	(1,754,687)
Health and welfare	488,198		208,529	10,158	(269,511)
Culture and recreation	225,544				(225,544)
Education	324,894		324,894		0
Conservation of natural resources	217,519		90,035		(127,484)
Economic development and assistance	88,956		1,270		(87,686)
Interest on long-term debt	542,631				(542,631)
Total Governmental Activities	\$ <u>13,028,245</u>	<u>2,297,530</u>	<u>1,691,271</u>	<u>1,061,794</u>	<u>(7,977,650)</u>
General revenues:					
Property taxes				\$ 8,080,593	
Road & bridge privilege taxes				331,725	
Grants and contributions not restricted to specific programs				476,758	
Unrestricted gifts and donations				40,000	
Unrestricted interest income				123,452	
Miscellaneous				240,388	
Total General Revenues				<u>9,292,916</u>	
Changes in Net Assets					1,315,266
Net Assets - Beginning					<u>18,745,162</u>
Net Assets - Ending					<u>\$ 20,060,428</u>

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

SCOTT COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2010

Exhibit 3

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Detention Center Fund		
ASSETS				
Cash	\$ 1,621,668	1,913,996	4,186,329	7,721,993
Property tax receivable	6,022,100		2,550,300	8,572,400
Accounts receivable (net of allowance for uncollectibles of \$409,263)			207,004	207,004
Fines receivable (net of allowance for uncollectibles of \$1,055,126)	386,737			386,737
Intergovernmental receivables	300,244			300,244
Other receivables	23,469		145,735	169,204
Due from other funds			78,932	78,932
Total Assets	<u>\$ 8,354,218</u>	<u>1,913,996</u>	<u>7,168,300</u>	<u>17,436,514</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 178,457	71,087	362,973	612,517
Intergovernmental payables	182,075			182,075
Due to other funds	85,564			85,564
Deferred revenue	6,408,837		2,757,304	9,166,141
Total Liabilities	<u>6,854,933</u>	<u>71,087</u>	<u>3,120,277</u>	<u>10,046,297</u>
Fund balances:				
Reserved for:				
Debt service			1,035,393	1,035,393
Unemployment compensation			103,084	103,084
Capital Project Funds		1,842,909		1,842,909
Unreserved - undesignated, reported in:				
General Fund	1,499,285			1,499,285
Special Revenue Funds			2,884,912	2,884,912
Capital Project Funds			24,634	24,634
Total Fund Balances	<u>1,499,285</u>	<u>1,842,909</u>	<u>4,048,023</u>	<u>7,390,217</u>
Total Liabilities and Fund Balances	<u>\$ 8,354,218</u>	<u>1,913,996</u>	<u>7,168,300</u>	<u>17,436,514</u>

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

SCOTT COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2010

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 7,390,217
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$8,925,486.	24,616,152
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	593,741
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(12,330,885)
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds.	<u>(208,797)</u>
Total Net Assets - Governmental Activities	<u>\$ 20,060,428</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, 2010

	Major Funds			Total Governmental Funds
	General Fund	Detention Center Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 5,406,805		2,673,788	8,080,593
Road and bridge privilege taxes			331,725	331,725
Licenses, commissions and other revenue	244,544		352,888	597,432
Fines and forfeitures	548,658		7,053	555,711
Intergovernmental revenues	881,172		2,388,651	3,269,823
Charges for services	248,467		764,185	1,012,652
Interest income	90,355	15,454	17,643	123,452
Miscellaneous revenues	63,306		159,506	222,812
Total Revenues	<u>7,483,307</u>	<u>15,454</u>	<u>6,695,439</u>	<u>14,194,200</u>
EXPENDITURES				
Current:				
General government	2,881,057		145,034	3,026,091
Public safety	3,688,579	2,999,011	446,738	7,134,328
Public works			4,901,627	4,901,627
Health and welfare	429,868		26,319	456,187
Culture and recreation	225,544			225,544
Education			324,894	324,894
Conservation of natural resources	160,785		53,534	214,319
Economic development and assistance	86,456		2,500	88,956
Debt service:				
Principal	111,160		843,872	955,032
Interest	2,846		549,233	552,079
Total Expenditures	<u>7,586,295</u>	<u>2,999,011</u>	<u>7,293,751</u>	<u>17,879,057</u>
Excess of Revenues over (under) Expenditures	<u>(102,988)</u>	<u>(2,983,557)</u>	<u>(598,312)</u>	<u>(3,684,857)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	130,044			130,044
Proceeds from sale of capital assets	88		28,059	28,147
Transfers in	31,102			31,102
Transfers out			(31,102)	(31,102)
Total Other Financing Sources and Uses	<u>161,234</u>		<u>(3,043)</u>	<u>158,191</u>
Net Changes in Fund Balances	<u>58,246</u>	<u>(2,983,557)</u>	<u>(601,355)</u>	<u>(3,526,666)</u>
Fund Balances - Beginning	<u>1,441,039</u>	<u>4,826,466</u>	<u>4,649,378</u>	<u>10,916,883</u>
Fund Balances - Ending	<u>\$ 1,499,285</u>	<u>1,842,909</u>	<u>4,048,023</u>	<u>7,390,217</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, 2010

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (3,526,666)
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 5,206,550 exceeded depreciation of \$1,307,988 in the current period.	3,898,562
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$17,576 and the proceeds from the sale of \$28,147 in the current period.	(10,571)
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.	95,445
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	36,290
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 \$955,032 exceeded debt proceeds of \$130,044.	824,988
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 increase in compensated absences	(12,230)
The amount of decrease in accrued interest payable	<u>9,448</u>
Change in Net Assets of Governmental Activities	\$ <u><u>1,315,266</u></u>

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

SCOTT COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2010

Exhibit 5

		<u>Agency Funds</u>
ASSETS		
Cash	\$	234,590
Due from other funds		<u>6,632</u>
Total Assets	\$	<u><u>241,222</u></u>
LIABILITIES		
Amounts held in custody for others	\$	<u>241,222</u>
Total Liabilities	\$	<u><u>241,222</u></u>

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

SCOTT COUNTY

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SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(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 primary government 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, fund financial statements and accompanying note disclosures 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 primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

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.

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

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

C. Measurement Focus and Basis of Accounting.

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

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 Funds:

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

Detention Center Fund- This fund is used to account for resources that are legally restricted for the acquisition or construction of a major capital facility. The resources are derived from proceeds of a special obligation bond issue.

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.

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.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

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 2005 by the Government Finance Officers Association.

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 applicable governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets 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.

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 and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

	<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 and estimated useful life 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, construction or improvement 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:

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

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

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.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

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 collectability 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.

(2) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2010, was \$7,956,583, and the bank balance was \$8,157,354. 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 Deposit Insurance Corporation (FDIC).

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

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2010:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	General	\$ 78,932
Agency Funds	General	6,632
Total		\$ 85,564

The receivables represent the tax revenue collected but not settled until October, 2010. 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	\$ 31,102

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2010, consisted of the following:

Description	Amount
Governmental Activities:	
Emergency management performance grant	\$ 8,690
Reimbursement for housing prisoners	11,248
Legislative tax credit	80,306
Public safety interoperable communications grant	200,000
Total Governmental Activities	\$ 300,244

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2010:

Governmental activities:

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments *	Balance Sept. 30, 2010
<u>Non-depreciable capital assets:</u>					
Land	\$ 560,601	1,500			562,101
Construction in progress	8,669,418	3,646,733			12,316,151
Total non-depreciable capital assets	<u>9,230,019</u>	<u>3,648,233</u>	<u>0</u>	<u>0</u>	<u>12,878,252</u>
<u>Depreciable capital assets:</u>					
Infrastructure	3,772,682	1,050,029			4,822,711
Buildings	6,393,123				6,393,123
Mobile equipment	7,356,491	151,507	105,707	163,097	7,565,388
Furniture and equipment	308,433	226,737			535,170
Leased property under capital leases	<u>1,380,047</u>	<u>130,044</u>		<u>(163,097)</u>	<u>1,346,994</u>
Total depreciable capital assets	<u>19,210,776</u>	<u>1,558,317</u>	<u>105,707</u>	<u>0</u>	<u>20,663,386</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	403,691	188,683			592,374
Buildings	1,786,954	191,808			1,978,762
Mobile equipment	5,048,500	679,992	95,136		5,633,356
Furniture and equipment	289,520	83,514			373,034
Leased property under capital leases	<u>183,969</u>	<u>130,044</u>			<u>347,960</u>
Total accumulated depreciation	<u>7,712,634</u>	<u>1,307,988</u>	<u>95,136</u>		<u>8,925,486</u>
Total depreciable capital assets, net	<u>11,498,142</u>	<u>250,329</u>	<u>10,571</u>		<u>11,737,900</u>
Governmental activities capital assets, net	<u>\$ 20,728,161</u>	<u>3,898,562</u>	<u>10,571</u>	<u>0</u>	<u>24,616,152</u>

*The adjustments represent reclassifications of paid off leased property under capital lease to mobile equipment, along with related accumulated depreciation.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 172,567
Public safety	419,965
Public works	681,000
Health and welfare	31,256
Culture and recreation	<u>3,200</u>
Total governmental activities depreciation expense	<u>\$ 1,307,988</u>

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

Commitments with respect to unfinished capital projects at September 30, 2010, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Scott County Detention Center	\$ 315,000	November, 2010

(6) 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 \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2010, to January 1, 2011. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(7) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2010:

Classes of Property	Governmental Activities
Mobile equipment	\$ 1,346,994
Less: Accumulated depreciation	347,960
Leased Property Under Capital Leases	\$ <u>999,034</u>

The following is a schedule by years of the total payments due as of September 30, 2010:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2011	\$ 175,728	25,802
2012	248,729	19,903
2013	283,483	5,913
2014	118,568	648
Total	\$ <u>826,508</u>	<u>52,266</u>

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

(8) Long-term Debt.

Debt outstanding as of September 30, 2010, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Public Improvement Bond – 2005	\$ <u>35,000</u>	3.40%	Dec-10
B. Limited Obligation Bonds:			
Jail Bond – Series 2007	\$ <u>11,055,000</u>	4.00 -5.00%	Nov-27
C. Capital Leases:			
Dodge Chargers	\$ 126,580	2.85%	Aug-13
Mack dump truck	11,922	3.96%	Sep-11
Ford F150	1,847	3.35%	May-11
Motor grader	164,606	3.24%	Nov-12
Motor grader	149,178	3.24%	Nov-12
Mack dump truck	11,922	3.96%	Sep-11
Ford F150	3,953	3.35%	May-11
Ford F350	9,946	3.75%	Feb-12
Motor grader	146,627	4.28%	Jul-12
Mack dump truck	11,922	3.96%	Sep-11
Motor grader	149,138	3.29%	Nov-13
Tractor and bushog	<u>38,867</u>	3.09%	Oct-12
Total Capital Leases	\$ <u>826,508</u>		
D. Other Loans:			
Equestrian Center	\$ 191,016	3.00%	Sep-13
Rail services loan	25,605	3.50%	Jul-15
Loan for 5 fire trucks	21,799	3.00%	Apr-11
Loan for 2 fire trucks	9,946	3.00%	May-11
Ambulance	<u>9,748</u>	4.10%	Apr-11
Total Other Loans	\$ <u>258,114</u>		

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

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 35,000	595	420,000	489,382
2012			450,000	471,982
2013			455,000	453,882
2014			475,000	435,282
2015			490,000	415,982
2016 – 2020			2,790,000	1,722,127
2021 – 2025			3,470,000	1,033,381
2026 – 2030			2,505,000	191,875
Total	\$ <u>35,000</u>	<u>595</u>	<u>11,055,000</u>	<u>5,213,893</u>

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 112,154	6,343
2012	72,836	3,479
2013	63,239	1,251
2014	5,617	259
2015	4,268	64
Total	\$ <u>258,114</u>	<u>11,396</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, 2010, the amount of outstanding debt was equal to 6.51% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2010:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance</u>	<u>Amount due</u>
	<u>Oct. 1, 2009</u>				<u>Sept. 30, 2010</u>	<u>within one</u>
						<u>year</u>
Governmental Activities:						
Compensated absences	\$ 144,033	12,230			156,263	
General obligation bonds	180,000		145,000		35,000	35,000
Limited obligation bonds	11,470,000		415,000		11,055,000	420,000
Capital leases	940,151	130,044	243,687		826,508	175,728
Other loans	409,459		151,345		258,114	112,154
Total	\$ <u>13,143,643</u>	<u>142,274</u>	<u>955,032</u>	<u>0</u>	<u>12,330,885</u>	<u>742,882</u>

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Fund, Emergency 911 Fund and Garbage and Solid Waste Fund.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(9) 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.

(10) 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 services to the public and is governed by a five-member board, 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 \$173,374 in fiscal year 2010. Complete financial statements for the Central Mississippi Regional Library System can be obtained from the following address: 3470 Highway 80 East, Pearl, MS 39208.

(11) 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 levy collected in 2010 the following amounts: \$338,038 for maintenance and support, \$58,924 for buildings and renovations and \$54,274 for construction of a girl's dormitory.

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 board members. The county provides only modest financial support for the district.

East Central 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 provided \$16,284 in support for the district in fiscal year 2010.

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 2010.

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

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 \$38,846 for support to the district in fiscal year 2010.

(12) 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. At September 30, 2010, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2010 was 12% 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, 2010, 2009 and 2008 were \$475,119, \$456,066 and \$429,469, respectively, equal to the required contributions for each year.

(13) Subsequent Events.

Subsequent to September 30, 2010, the county issued the following debt obligations:

<u>Date</u>	<u>Rate</u>	<u>Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/25/2010	3.35%	\$ 49,407	Capital lease	Ad valorem taxes
12/13/2010	2.91%	157,398	Capital lease	Ad valorem taxes
12/15/2010	3.50%	160,500	General obligation bonds	Ad valorem taxes
5/23/2011	2.99%	39,900	Capital lease	Ad valorem taxes
6/10/2011	2.87%	147,783	Capital Lease	Ad Valorem Taxes

SCOTT COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCOTT COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 5,365,100	5,261,878	5,261,878	
Licenses, commissions and other revenue	322,225	311,189	311,189	
Fines and forfeitures	232,000	540,648	540,648	
Intergovernmental revenues	631,500	674,982	674,982	
Charges for services	250,000	267,219	267,219	
Interest income	15,000	90,659	90,659	
Miscellaneous revenues	104,000	166,084	166,084	
Total Revenues	<u>6,919,825</u>	<u>7,312,659</u>	<u>7,312,659</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,039,867	2,763,659	2,763,659	
Public safety	3,295,795	3,300,960	3,300,960	
Health and welfare	271,954	268,971	268,971	
Culture and recreation	205,024	211,096	211,096	
Conservation of natural resources	154,314	145,659	145,659	
Economic development and assistance	84,630	81,408	81,408	
Debt service:				
Principal	45,500	44,845	44,845	
Interest	2,700	2,846	2,846	
Total Expenditures	<u>7,099,784</u>	<u>6,819,444</u>	<u>6,819,444</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(179,959)</u>	<u>493,215</u>	<u>493,215</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued		130,044	130,044	
Proceeds from sale of capital assets		88	88	
Transfers in		31,102	31,102	
Total Other Financing Sources and Uses	<u>0</u>	<u>161,234</u>	<u>161,234</u>	<u>0</u>
Net Change in Fund Balance	(179,959)	654,449	654,449	
Fund Balances - Beginning	<u>600,000</u>	<u>519,572</u>	<u>908,302</u>	<u>388,730</u>
Fund Balances - Ending	<u>\$ 420,041</u>	<u>1,174,021</u>	<u>1,562,751</u>	<u>388,730</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, 2010

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	<u>General Fund</u>
Budget (Cash Basis)	\$ 654,449
Increase (Decrease)	
Net adjustments for revenue accruals	170,648
Net adjustments for expenditure accruals	<u>(766,851)</u>
GAAP Basis	<u>\$ 58,246</u>

SCOTT COUNTY

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SCOTT COUNTY

SUPPLEMENTAL INFORMATION

SCOTT COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass through Number	Federal Expenditures
U.S. Department of Agriculture/Passed-through Mississippi State Treasurers Office - Federal Forestry Service Schools and roads- grants to states	10.665	N/A	\$ <u>726,721</u>
National Telecommunication and Information Administration/ Department of Commerce/ Passed through the Mississippi Wireless Communication Commission Public safety interoperable communications grant	11.555	07PS313	<u>200,000</u>
U.S. Department of Housing and Urban Development Passed through the Mississippi Development Authority Community development block grants/state's program	14.228	1122-05-062-ED-01	<u>2,500</u>
U.S. Department of Transportation- Federal Highway Administration/ Passed through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 071 B	33,120
Passed through the Mississippi Emergency Management Agency Interagency hazardous materials public sector training and planning grant	20.703	10HMEP	<u>2,400</u>
Total U.S. Department of Transportation			<u>35,520</u>
U.S. Department of Homeland Security Passed-through the Mississippi Emergency Management Agency Emergency management performance grant	97.042	10EMPL00	<u>47,712</u>
Total Expenditures of Federal Awards			\$ <u><u>1,012,453</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

* Denotes a major program

SCOTT COUNTY
 Reconciliation of Operating Costs of Solid Waste
 For the Year Ended September 30, 2010

Operating Expenditures, Cash Basis:

Personnel services	\$	230,540
Contractual services		33,682
Consumable services		146,058
Capital outlay		<u>2,353</u>
Solid Waste Cash Basis Operating Expenditures		<u>412,633</u>

Full Cost Expenses:

Indirect administrative costs		27,489
Depreciation on equipment		24,510
Net effect of other accrued expenses		<u>23,286</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>487,918</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
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Scott County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Scott County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the county's basic financial statements and have issued our report thereon dated October 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Scott County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as 10-1 and 10-2 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Scott County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated October 31, 2011, included within this document.

Scott County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Scott County's responses and, accordingly, we express no opinion on them

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



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

October 31, 2011



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Supervisors
Scott County, Mississippi

Compliance

We have audited the compliance of Scott County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2010. Scott County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Scott County, Mississippi's management. Our responsibility is to express an opinion on Scott County, Mississippi's compliance based on our audit.

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

In our opinion, Scott County, Mississippi, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2010.

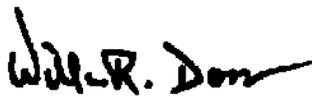
Internal Control Over Compliance

The management of Scott County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Scott County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A deficiency in a county's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, slightly slanted style.

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

October 31, 2011



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
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 examined Scott County, Mississippi's (the County) compliance with 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) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2010. The Board of Supervisors of Scott County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

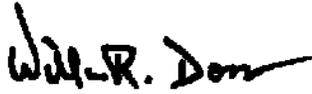
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. 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 examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

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.

A handwritten signature in black ink that reads "Will-R. Doss". The signature is written in a cursive, slightly slanted style.

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

October 31, 2011

SCOTT COUNTY
 Schedule of Purchases Not Made From the Lowest Bidder
 For the Year Ended September 30, 2010

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
6/18/2010	2011 Weather Star Garbage Truck	\$ 157,398	Hol-Mac Corp.	\$ 154,100	Lower maintenance costs

SCOTT COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2010

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, 2010

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
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Scott County, Mississippi

In planning and performing our audit of the financial statements of Scott County, Mississippi for the year ended September 30, 2010, we considered Scott County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Scott County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated October 31, 2011, on the financial statements of Scott County, Mississippi.

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

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

Sheriff.

1. Finding

An effective system of internal control in the Sheriff's office should include daily bank deposits. As reported in the last two years' audit reports, during our audit, we noted that the sheriff's office was not making daily deposits. Failure to implement these internal controls could result in the loss or misappropriation of public funds.

Recommendation

The Sheriff should make daily bank deposits.

Sheriff's Response

I will adhere to the recommendations of the auditor concerning the bank deposits.

Circuit Clerk.

2. Finding

An effective system of internal control over cash should include daily bank deposits. As reported in the prior three years' audit reports, we noted that bank deposits were not being made on a daily basis in the operation of the Circuit Clerk's accounting system. Failure to have adequate controls in place could result in the loss or misappropriation of public funds.

Recommendation

The Circuit Clerk should ensure that bank deposits are made on a daily basis.

Circuit Clerk's Response

We will do better on bank deposits.

3. Finding

Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of Circuit Clerks to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses, are to be deposited by the clerk into the county's General Fund on or before April 15th for the preceding calendar year. The Clerk exceeded the salary cap by \$1,118 for 2010 calendar year and failed to settle the funds to the county general fund by April 15, 2011. Failure to properly settle the amount in excess over the salary cap of \$90,000 could result in the loss of public funds.

Recommendation

The Circuit Clerk should settle the \$1,118 over the salary cap to the county general fund and ensure that future excess fees are settled on a timely manner.

Circuit Clerk's Response

We will comply to the recommendation and we vow to do better.

The Mississippi Office of the State Auditor has taken exception to certain costs. The details of the exception and disposition are as follows:

Exception Issued On/Demand Issued On:

Joe Rigby, Circuit Clerk

Nature of Exception/Demand:

See Circuit Clerk's Finding # 3 described in this report.

Amount of Exception/Demand:

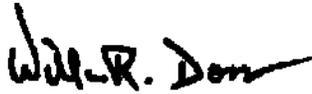
\$1,118

Disposition of Exception/Demand:

This matter has been turned over to the Investigative Division of the Office of the State Auditor.

Scott County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

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

A handwritten signature in black ink that reads "William R. Doss". The signature is written in a cursive, slightly slanted style.

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

October 31, 2011

SCOTT COUNTY

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SCOTT COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SCOTT COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2010

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| a. | Material weakness identified? | No |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|-----|--|---------------|
| 4. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| b. | Significant deficiency identified that is not considered to be a material weakness? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section __.510(a) of OMB Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| a. | CFDA # 10.665- Schools and roads-grants to states | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

SCOTT COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2010

Section 2: Financial Statement Findings

Tax Collector.

Significant Deficiency

Monthly bank reconciliations should be performed.

10 - 1. Finding

An effective system of internal control in the tax collector's office should include monthly bank reconciliations. As reported in the last two year's audit report, we noted that the Tax Collector was not reconciling the bank account. Also, we noted an unidentified shortage of \$2,149 in the cash journal. Failure to implement these controls could result in the loss of public funds.

Recommendation

The Tax Collector should ensure that monthly bank reconciliations are prepared each month and identify the composition of the shortage in the cash journal.

Tax Collector's Response

We have found a bookkeeping error, which led to money being over settled to all entities. We will work daily to account for all over settled monies and make sure accounts are reconciled to bank statements each month. Shortages will be identified in each month settlement from this month forward.

Circuit Clerk.

Significant Deficiency

Fines receivable transactions should be properly recorded.

10 - 2. Finding

An effective system of internal controls over fines receivable should include assurance that only fines due to the county at the close of the fiscal year are booked as a receivable at year end. As reported in the prior year's audit report, our tests indicated that the amount reported for fines receivable included restitution and court costs as well as credits for payments made after the close of the fiscal year. Failure to properly recognize fines receivable at year end could result in erroneous amounts being reported in the financial statements,

Recommendation

The county should ensure that only fines due to the county at fiscal year-end are recorded in the financial statements, and that proper cut-off procedures are followed at year-end so that receipts related to the fines receivable are recorded in the proper fiscal year..

Circuit Clerk's Response

We will and we are updating our system to comply.

Section 3: Federal Award Findings and Questioned Costs

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

SCOTT COUNTY

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