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SCOTT COUNTY, MISSISSIPPI

Audited Financial Statements
and Special Reports

SEPTEMBER 30, 2004

SCOTT COUNTY

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SCOTT COUNTY

FINANCIAL SECTION

Ruth N. Wylie Certified Public Accountant

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

November 10, 2005

Members of the Board of Supervisors
Scott County, Mississippi

I 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, 2004, 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. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Scott County, Mississippi, as of September 30, 2004, 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*, I have also issued my report dated November 10, 2005, on my consideration of Scott County, Mississippi's internal control over financial reporting and my 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 read in conjunction with this report in considering the results of my audit.

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

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.

P.O. Box 718 • Madison, MS 39130 • Cell (601) 573-3142 • Office (662) 673-9080 / (601) 856-0888

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Scott, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ruth N. Wylie, CPA
Madison, Mississippi

SCOTT COUNTY

FINANCIAL STATEMENTS

SCOTT COUNTY
Statement of Net Assets
September 30, 2004

Exhibit 1

		Primary Government
		Governmental Activities
ASSETS		
Cash and investments	$	4,956,425
Property tax receivable		6,486,655
Fines receivable, net		164,482
Loans receivable		25,350
Intergovernmental receivables		230,005
Other receivables, net		16,286
Capital assets, net		11,298,383
Total Assets		23,177,586
LIABILITIES		
Claims payable		423,594
Intergovernmental payables		115,473
Accrued interest payable		20,092
Deferred revenue		6,486,655
Other payables		
Long-term liabilities		
Due within one year:		
Capital related debt		1,007,584
Non-capital debt		102,317
Due in more than one year:		
Capital related debt		2,092,451
Non-capital debt		83,410
Total Liabilities		10,331,576
NET ASSETS		
Invested in capital assets, net of related debt		8,198,348
Restricted net assets:		
Expendable:		
General government		165,768
Debt service		430,346
Public safety		269,360
Public works		2,064,926
Economic development		528,771
Unrestricted		1,188,491
Total Net Assets	$	12,846,010

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

SCOTT COUNTY
Statement of Activities
For the Year Ended September 30, 2004

Exhibit 2

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities
Primary government:					
Governmental activities:					
General government	$ 2,868,827	825,750			(2,043,077)
Public safety	2,855,971	1,055,322	91,906	80,344	(1,628,399)
Public works	3,301,960	269,788	513,912	857,677	(1,660,583)
Health and welfare	675,888		110,946		(564,942)
Culture and recreation	148,540		4,000		(144,540)
Conservation of natural resources	325,749		52,456		(273,293)
Economic development and assistance	47,035		10,000		(37,035)
Interest on long-term debt	141,555				(141,555)
Bond issue costs	14,820				(14,820)
Total Governmental Activities	10,380,345	2,150,860	783,220	938,021	(6,508,244)
Total Primary Government	$ 10,380,345	2,150,860	783,220	938,021	(6,508,244)

General revenues:	
Taxes:	
Property taxes	$ 6,019,559
Road & bridge privilege taxes	314,740
Grants and contributions not restricted to specific programs	458,163
Unrestricted gifts and donations	40,000
Unrestricted investment income	43,368
Miscellaneous	121,890
Total General Revenues	6,997,720
Changes in Net Assets	489,476
Net Assets - Beginning	12,562,854
Prior period adjustment	(206,320)
Net Assets - Beginning restated	12,356,534
Net Assets - Ending	$ 12,846,010

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

SCOTT COUNTY

Exhibit 3

Balance Sheet - Governmental Funds
September 30, 2004

		Major Fund		
		General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$	1,283,001	3,673,425	4,956,426
Property tax receivable		4,613,010	1,873,645	6,486,655
Fines receivable		164,482		164,482
Loans receivable			25,350	25,350
Intergovernmental receivables		230,005		230,005
Other receivables		16,286		16,286
Due from other funds		33,480	39,742	73,222
Total Assets	$	6,340,264	5,612,162	11,952,426
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	$	199,921	223,673	423,594
Intergovernmental payables		114,873	601	115,474
Due to other funds		38,242	34,980	73,222
Deferred revenue		4,777,492	1,873,645	6,651,137
Total Liabilities		5,130,528	2,132,899	7,263,427
Fund balances:				
Reserved for:				
Debt service			443,673	443,673
Unemployment compensation			121,038	121,038
Unreserved, reported in:				
General fund		1,209,736		1,209,736
Special revenue funds			2,869,822	2,869,822
Capital project funds			44,730	44,730
Total Fund Balances		1,209,736	3,479,263	4,688,999
Total Liabilities and Fund Balances	$	6,340,264	5,612,162	11,952,426

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, 2004

		Amount
Total fund balance - governmental funds (Exhibit 3)	$	4,688,999
Amounts reported for governmental services in the statement of net assets (Exhibit 1) are different because:		
Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds		
Capital assets net of depreciation as of 10-1-03		11,119,913
Plus capital outlay expenditures made during the year		1,466,195
Less depreciation expense recorded during the year		(697,609)
Less adjustment to construction in progress		(213,206)
Add adjustment to depreciable capital assets		29
Add adjustment to depreciation expense		6,857
Less net book value of capital assets sold during the year		(207,581)
Less net book value of capital assets junked or vehicles totaled during the year		(176,215)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Fines receivable		164,482
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.		
Long-tem liabilities		(3,285,762)
Accrued interest on bonds		(20,092)
Total net assets - governmental activities (Exhibit 1)	$	12,846,010

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, 2004

		Major Fund	Other	Total
		General Fund	Governmental Funds	Governmental Funds
REVENUES				
Property taxes	$	4,244,585	1,750,195	5,994,780
Road and bridge privilege taxes			314,740	314,740
Licenses, commissions and other revenue		441,279	130,667	571,946
Fines and forfeitures		290,880	7,047	297,927
Intergovernmental revenues		613,430	2,051,471	2,664,901
Charges for services		348,630	492,330	840,960
Interest income		22,225	13,249	35,474
Miscellaneous revenues		91,678	30,212	121,890
Total Revenues		6,052,707	4,789,911	10,842,618
EXPENDITURES				
Current:				
General government		2,958,179	22,071	2,980,250
Public safety		2,528,052	308,944	2,836,996
Public works			3,756,845	3,756,845
Health and welfare		232,303	414,939	647,242
Culture and recreation		148,540		148,540
Conservation of natural resources		190,811	132,324	323,135
Economic development and assistance		17,035	30,000	47,035
Debt service:				
Principal		7,385	593,150	600,535
Interest		878	120,585	121,463
Bond issuance costs			44,820	44,820
Total Expenditures		6,083,183	5,423,678	11,506,861
Excess of Revenues over (under) Expenditures		(30,476)	(633,767)	(664,243)
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			517,184	517,184
Refunding bonds issued			740,000	740,000
Proceeds from sale of capital assets		70,686	61,435	132,121
Transfers in			32,242	32,242
Transfers out			(32,242)	(32,242)
Payment to refunding bond escrow agent			(740,000)	(740,000)
Total Other Financing Sources and Uses		70,686	578,619	649,305
Net Changes in Fund Balances		40,210	(55,148)	(14,938)
Fund Balance - Beginning		1,169,526	3,534,411	4,703,937
Fund Balances - Ending	$	1,209,736	3,479,263	4,688,999

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, 2004

		Major Fund
Net changes in fund balances - total governmental funds (Exhibit 4)	$	(14,938)
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 $1,466,195, exceeded depreciation of $697,609.		768,586
In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources and loss from the sale of capital assets decrease financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the loss of $251,675 and the proceeds from the sale of $132,121.		(383,796)
Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the statement of activities using the full-accrual basis of accounting.		27,203
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of $1,370,535 exceeded debt proceeds of $1,257,184.		113,351
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:		
Interest on long-term debt		(20,092)
Compensated absences		(15,823)
Claims and judgments		14,985
Change in net assets of governmental activities (Exhibit 2)	$	489,476

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

SCOTT COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2004

Exhibit 5

		Agency Funds
ASSETS		
Cash and investments	$	212,554
Intergovernmental receivables		7,371
Total Assets	$	219,925
LIABILITIES		
Intergovernmental payables	$	219,925
Total Liabilities	$	219,925

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

(1) 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 government and its component units which have significant operational or financial relationships with the county. There are no outside organizations which should be included as component units of the county's reporting entity.

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

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

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

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

hFund 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/expenses. Funds are organized into governmental and fiduciary. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The government-wide and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

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

The county reports the following major governmental fund:

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

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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.

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.

FIDUCIARY FUND TYPES

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2001 by the Government Finance Officers Association and the *Mississippi County Financial Accounting Manual* as revised in 2002 by the Office of the State Auditor.

E. Deposits and Investments.

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

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

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 of capital assets are reported 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.

		Capitalization Thresholds	Estimated Useful Life
Land	$	0	n/a
Infrastructure		0	20-50 years
Buildings		50,000	40 years
Mobile equipment		5,000	5-10 years
Furniture and equipment		5,000	3-7 years
Leased property under capital leases		*	*

- Leased property capitalization policy will correspond with the amounts for the asset classification, as listed above.

I. Long-term liabilities.

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities.

J. Equity Classifications.

Government-wide Financial Statements:

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

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

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulation 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.

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

K. Property Tax Revenues.

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

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

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

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

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

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

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

Explanation	Amount
Correction of construction in progress from amounts previously capitalized	$ (213, 206)
Miscellaneous adjustments to capital assets	29
Correction of depreciation on capital assets	6,857
Total prior period adjustment	$ (206,320)

(3) Deposits.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was $5,168,979, and the bank balance was $5,403,270. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer.

Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2004:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Major Funds:		
General Fund	Other Governmental Funds	$ 33,480
Other Governmental Funds	General Fund	38,242
Other Governmental Funds	Other Governmental Funds	1,500
Total		$ 73,222

The amount payable to the General Fund represents loans made for grants that will be reimbursed. The interfund receivables to other governmental funds primarily represents the tax revenue collected by the General Fund that has not been settled to the individual funds from the General Fund at year end. 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
Other Governmental Funds	Other Governmental Funds	$ 32,242
Total		$ 32,242

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

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2004 consisted of the following for Governmental Activities:

Description	Amount
Legislative Tag Credit	$ 139,297
Reimbursement for housing prisoners	40,708
RFTAAP	50,000
Total Governmental Activities	$ 230,005

(6) Loans Receivable.

Loans receivable balances at September 30, 2004, are as follows:

Styling	Date of Loan	Interest Rate	Maturity Date	Balance Payable
Maxim Manufacturing Company	05/00	4.5	06/05	25,350
Total				25,350

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2004:

	Balance Oct. 1, 2003	Additions	Deletions	Adjustments	Balance Sept. 30, 2004
Non-depreciable capital assets:					
Land	$ 435,887				435,887
Construction in progress	930,979	221,012	(715,757)	(213,206)	223,028
Total non-depreciable capital assets	1,366,866	221,012	(715,757)	(213,206)	658,915
Depreciable capital assets:					
Infrastructure	550,326	715,757		9	1,266,092
Buildings	6,293,123	160,000	(125,000)	(1)	6,328,122
Mobile equipment	5,511,106	424,175	(405,249)	21	5,530,053
Furniture and equipment	237,710	112,324			350,034
Leased property under capital leases	1,550,988	548,684	(242,193)		1,857,479
Total depreciable capital assets	14,143,253	1,960,940	(772,442)	29	15,331,780
Less accumulated depreciation for:					
Infrastructure	(7,716)	(22,582)		7	(30,291)
Buildings	(1,029,228)	(124,962)	13,750	75	(1,140,365)
Mobile equipment	(2,705,955)	(384,478)	307,748	6,724	(2,775,961)
Furniture and equipment	(222,324)	(23,104)		5	(245,423)
Leased property under capital leases	(424,983)	(142,483)	67,148	46	(500,272)
Total accumulated depreciation	(4,390,206)	(697,609)	388,646	6,857	(4,692,312)
Total depreciable capital assets, net	9,753,047	1,263,331	(383,796)	6,886	10,639,468
Governmental activities capital assets, net	$ 11,119,913	1,484,343	(1,099,553)	(206,320)	11,298,383

Adjustments to capital assets included the the correction of an item which should not have been capitalized. Adjustments to depreciation were corrections of minor amounts from prior years. Included in additions to leased property under capital leases includes down payments of $31,500.

Depreciation expense was charged to the following functions:

General government	$	98,434
Public safety		133,060
Public works		434,855
Health and welfare		28,646
Conservation of natural resources		2,614
Total governmental activities depreciation expense	$	697,609

As of September 30, 2004, the county had the following commitments with respect to unfinished capital projects:

Description of Commitment		Remaining Financial Commitment	Expected Date of Completion
State aid project BR 0482(5)B	$	345,486	October 2005
Totals		345,486	

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is $500,000 for law enforcement personnel and $400,000 for all other employees for each accident and completely covers all 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 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, 2004, to January 1, 2005. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The county finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the county retaining the risk of loss on all claims to which the county is exposed. Premium payments to the pool are determined on an actuarial basis. The county has reinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds $30,000. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs).

Changes in the balances of claims liabilities during the year are as follows:

Unpaid Claims, Beginning of Fiscal Year	$	117,302
Plus: Incurred Claims (Including IBNRs)		1,022,838
Less: Claim Payments		1,037,823
Unpaid Claims, End of Fiscal Year	$	102,317

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital lease as of September 30, 2004:

Classes of Property		Amount
Mobile equipment		1,857,479
Less: Accumulated depreciation		500,272
Leased property under capital lease	$	1,357,207

The following is a schedule by years of the total payments due as of September 30, 2004:

Year Ending September 30:		Amounts
2005	$	740,608
2006		116,552
2007		241,866
2008		45,406
2009		19,226
2010-2014		86,906
Total		1,250,564

(10) Long-term Debt.

Debt outstanding as of September 30, 2004 consisted of the following:

Description and Purpose		Amount Outstanding	Interest Rates	Final Maturity Date
A. General Obligation Bonds:				
Refunding bond series 2004	$	740,000	3.23	9-10
District 2 special road		70,000	4.62 to 4.80	3-08
Total General Obligation Bonds	$	810,000		
B. Capital Leases:				
District 1 Dodge Ram 1500 truck	$	2,406	5.34	4-05
District 4 Caterpillar 320 BL excavator		88,624	5.64	6-05
District 5 Caterpillar 320 BL excavator		88,319	5.64	6-05
District 5 2000 RD688S Mack truck		12,773	5.63	6-05
District 1 2000 RD688S Mack truck		14,490	5.63	6-05
District 2 2000 RD688S Mack truck		14,490	5.63	6-05
District 1 12H Caterpillar motor grader		113,495	5.87	9-05
District 1 Caterpillar 315B excavator		69,085	5.87	9-05
District 2 12H Caterpillar motor grader		113,420	5.87	9-05
District 5 12H Caterpillar motor grader		113,694	5.87	10-04
District 4 140H Caterpillar motor grader		135,163	3.92	9-05
District 5 tractor and boom		39,364	4.40	10-04
District 4 Ford tractor and mower		21,578	3.35	5-06
District 5 Ford pick up		16,766	3.29	5-08
Ambulance		15,680	3.19	10-07
District 2 Caterpillar excavator		91,343	3.02	12-06
Tractor and mower		63,311	3.00	6-08
Backhoe		37,511	3.04	6-07
Dump truck		23,165	3.19	6-07
Caterpillar 140h Motor grader		175,887	3.14	12-09
Total Capital Leases	$	1,250,564		
C. Other Loans:				
Equestrian center		545,908	3.00	8-13
Rail services loan		52,493	3.70	9-09
Five fire trucks		335,618	3.00	4-11
Two fire trucks		105,452	3.00	5-11
Total Other Loans	$	1,039,471		

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds Principal	General Obligation Bonds Interest
2005	$ 145,000	26,309
2006	150,000	30,007
2007	155,000	15,082
2008	130,000	10,166
2009	115,000	5,572
2010-2014	115,000	1,857
Total	$ 810,000	88,993

Year Ending September 30	Other Loans Principal	Other Loans Interest
2005	$ 121,976	29,996
2006	125,707	26,264
2007	129,552	22,419
2008	133,515	18,456
2009	137,599	14,372
2010-2014	386,727	21,642
2015-2019	4,395	78
Total	$ 1,039,471	133,227

Legal Debt Margin - The amount of general obligation bonded debt that can be incurred by the county is limited by state statute. Total outstanding general obligation bonded 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, 2004, the amount of outstanding debt was equal to 0.59% of the latest property assessments.

Advance Refunding - On April 15, 2004, the county issued $740,000 in general obligation bonds with an average interest rate of 3.23% to advance refund $770,000 of the following outstanding bond issues:

Issue	Average Interest Rate	Outstanding Amount Refunded
Courthouse Construction Bond Issue	5.40	$ 675,000
Equestrian Center Bond Issue	5.05	95,000

The county advance refunded the above bonds to reduce its total debt service payments over the next 6 years by almost $114,907 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $101,851.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2004:

		Balance Oct. 1, 2003	Additions	Reductions	Balance Sept. 30, 2004	Amount due within one year
Governmental Activities:						
Compensated absences	$	67,587	15,823		83,410	
Claims and judgments		117,302	1,022,838	1,037,823	102,317	102,317
General obligation bonds		970,000	740,000	900,000	810,000	145,000
Capital leases		1,085,416	517,184	352,036	1,250,564	740,608
Other loans		1,157,970		118,499	1,039,471	121,976
Total	$	3,398,275	2,295,845	2,408,358	3,285,762	1,109,901

Note: Reductions include bonds totaling $770,000 that were refunded in fiscal year 2004.

(11) Contingencies.

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

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

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

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

Description		Balance at Sept. 30, 2004
Industrial revenue bonds and notes	$	1,000,000

(13) Joint Venture.

The county participates in the following joint ventures:

Scott County is a participant with the Rankin, Smith and Simpson Counties in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972) to operate the Central Regional Public Library System. The joint venture was created to provide library services to the public and is governed by a five-member board of which

two members are appointed by Rankin County and one member each from the other three counties. By contractual agreement, the county's appropriation to the joint venture was $137,144 in fiscal year 2004. Complete financial statements for the Central Mississippi Regional Library System can be obtained from the following address: 3470 Highway 80 East, Pearl, MS 39208.

(14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

East Central Community College operates in a district composed of the Counties of Leake, Neshoba, Newton, Scott and Winston. The Scott County Board of Supervisors appoints six of the 30 members of the college board of trustees. The county levy collected in 2004 the following amounts: $289,869 for maintenance and support, $49,934 for building and renovations and $50,000 for construction of a girls' 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 provided no financial support in fiscal year 2004.

East Central Community Action Agency, Inc. operates in a district composed of the Counties of Leake, Neshoba, Rankin, Scott and Smith. The Scott County Board of Supervisors appoints two of the 30 board members. The county provided no funds for support in fiscal year 2004.

East Central Mississippi Planning and Development District operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Scott County Board of Supervisors appoints one of the 15 members of the board of directors. The county appropriated $16,284 for support of the district in fiscal year 2004, minimal amount of support to the district.

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 2004.

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 county appropriated $33,846 for support of the district in fiscal year 2004.

(15) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions to PERS for the years ending September 30, 2004, 2003 and 2002 were $289,081, $274,068, and $276,389, respectively, equal to the required contributions for each year.

SCOTT COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCOTT COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2004

		Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES					
Property taxes	$	3,967,448	4,242,477	4,242,477	-
Licenses, commissions and other revenue		233,383	360,231	360,231	-
Fines and forfeitures		271,237	300,171	300,171	-
Intergovernmental revenues		495,527	588,902	588,902	-
Charges for services		491,380	348,630	348,630	-
Interest income		18,749	20,374	22,075	1,701
Miscellaneous revenues		63,276	93,379	91,678	(1,701)
Total Revenues		5,541,000	5,954,164	5,954,164	-
EXPENDITURES					
Current:					
General government		2,664,491	2,843,687	2,843,688	(1)
Public safety		2,782,217	2,639,877	2,643,822	(3,945)
Public works		-	7,500	7,500	-
Health and welfare		223,003	395,051	235,051	160,000
Culture and recreation		137,114	137,114	137,114	-
Conservation of natural resources		137,611	126,730	341,095	(214,365)
Economic development and assistance		56,578	54,365	20,094	34,271
Capital projects		19,300	20,094		20,094
Debt service		15,000	9,546	8,263	1,283
Total Expenditures		6,035,314	6,233,964	6,228,364	5,600
Excess of Revenues over (under) Expenditures		(494,314)	(279,800)	(274,200)	5,600
OTHER FINANCING SOURCES (USES)					
Other financing sources		-	70,686	70,686	-
Other financing uses		-	-	-	-
Total Other Financing Sources and Uses		-	70,686	70,686	-
Net Change in Fund Balance		(494,314)	(209,114)	(203,514)	5,600
Fund Balances - Beginning		1,036,085	1,387,249	846,703	(540,546)
Fund Balances - Ending	$	541,771	1,178,135	643,189	(534,946)

SCOTT COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2004

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 and each major special revenue fund:

Excess of Revenues and Other Sources Over
(Under) Expenditures and Other Uses

		Governmental Fund Types
		General Fund
Budget (Cash Basis)	$	(203,514)
Increase (Decrease):		
Net adjustment for revenue accruals		98,543
Net adjustment for expenditure accruals		145,181
GAAP Basis	$	40,210

SCOTT COUNTY

SUPPLEMENTAL INFORMATION

SCOTT COUNTY

SCHEDULE 1

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARD			
U.S. Department of Housing and Urban Development			
Passed through the Mississippi Development Authority			
Community development block grants/state's program	14.228	1120-03-062-PF-01	$ 326,018
Total U.S. Department of Housing and Urban Development			326,018
Total Major Federal Awards			326,018
OTHER FEDERAL AWARDS			
U.S. Department of Housing and Urban Development			
Passed through the Mississippi Development Authority			
HOME Investment Partnerships Program	14.239	M03SG-280-987	30,000
Total U.S. Department of Housing and Urban Development			30,000
U.S. Department of Justice			
Direct:			
Public safety partnership and community policing grants	16.710	N/A	22,982
Total U. S. Department of Justice			22,982
U.S. Department of Transportation			
Passed through Mississippi Department of Transportation			
Highway planning and construction	20.205	N/A	15,680
Department of Homeland Security			
Passed through Mississippi Emergency Management Agency			
Hazard mitigation assistance	97.039	N/A	100,490
State domestic preparedness equipment support program	97.004	3SSG 3018/ 3SUP-67	88,921
Total U. S. Department of Homeland Security			88,921
Total Other Federal Awards			258,073
Total for All Federal Awards			$ 584,091

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.

SCOTT COUNTY

SCHEDULE 2

Reconciliation of Operating Costs of Solid Waste

For the Year Ended September 30, 2004

Operating Expenditures, Cash Basis:		
Personal services	$	164,035
Contractual services		40,609
Garbage disposal		7,760
Consumable supplies		69,389
Solid Waste Cash Basis Operating Expenditures		281,793
Full Cost Expenses:		
Indirect administrative costs		17,426
Depreciation on equipment		21,535
Interest on solid waste debt		1,916
Other accrued expenses		2,138
Solid Waste Full Cost Operating Expenses	$	324,808

SCOTT COUNTY

SPECIAL REPORTS

Ruth N. Wylie Certified Public Accountant

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

November 10, 2005

Members of the Board of Supervisors
Scott County, Mississippi

I have audited the basic 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, 2004, and have issued my report thereon dated November 10, 2005. I conducted my 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 my audit, I considered Scott County, Mississippi's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the inte4rnal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scott County, Mississippi's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Ruth N. Wylie, CPA

Madison, Mississippi

Ruth N. Wylie Certified Public Accountant

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

November 10, 2005

Members of the Board of Supervisors
Scott County, Mississippi

I 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 are applicable to its major federal program for the year ended September 30, 2004. 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. My responsibility is to express an opinion on Scott County, Mississippi's compliance based on my audit.

I conducted my 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 I 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 I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Scott County, Mississippi's compliance with those requirements.

In my opinion, Scott County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

Internal Control Over Compliance

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

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My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

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

Ruth N. Wylie, CPA
Madison, Mississippi

Ruth N. Wylie Certified Public Accountant

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))

November 10, 2005

Members of the Board of Supervisors
Scott County, Mississippi

I have made a study and evaluation of the central purchasing system and inventory control system of Scott County, Mississippi, as of and for the year ended September 30, 2004. My study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as I considered necessary in the circumstances.

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

In my 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 my aforementioned study and evaluation of the purchasing system and, in my opinion, is fairly presented when considered in relation to that study and evaluation.

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

Ruth N. Wylie, CPA
Madison, Mississippi

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SCOTT COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2004

My test results did not identify any purchases not made from the lowest bidder.

SCOTT COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2004

Schedule 2

My 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, 2004

Schedule 3

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

Ruth N. Wylie Certified Public Accountant

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

November 10, 2005

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, 2004, we considered Scott County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion 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 November 10, 2005, on the financial statements of Scott County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the 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.

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

Ruth N. Wylie, CPA
Madison, Mississippi

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SCOTT COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4.	Type of auditor's report issued on compliance for major federal programs:	Unqualified
5.	Internal control over major programs:	
	a. Material weaknesses identified?	No
	b. Reportable conditions identified that are not considered to be material weaknesses?	No
6.	Any audit findings reported as required by Section ___.510(a) of Circular A_133?	Yes
7.	Federal programs identified as major programs:	
	a. Community development block grants/state's progam	14.228
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 findings 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

Section 2: Financial Statement Findings

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

Section 3: Findings and Questioned Costs for Federal Awards

The result of my tests did not disclose any findings or questioned costs related to the federal awards