



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

**PHIL BRYANT
State Auditor**

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

**J. SCOTT SPEIGHTS, MBA, CIA, CGAP
Director, County Audit Section**

RANKIN COUNTY, MISSISSIPPI

**Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2004**

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RANKIN COUNTY

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RANKIN COUNTY

FINANCIAL SECTION

RANKIN COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Rankin County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Rankin County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government of Rankin County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Rankin County, Mississippi, as of September 30, 2004, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the primary government of Rankin County, Mississippi, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, 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 April 8, 2005, on our consideration of Rankin County, Mississippi's internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and 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. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



PHIL BRYANT
State Auditor



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

April 8, 2005

RANKIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

RANKIN COUNTY

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**RANKIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

INTRODUCTION

The discussion and analysis of Rankin County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2004. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is a new element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Generally accepted accounting principles do not require comparative data in the basic financial statements but certain comparative information between the current year and the prior year is required to be presented in Management's Discussion and Analysis and is provided herein.

Rankin County is located in Central Mississippi along Interstate I-20. The population, according to the 2000 census, is 115,327. The local economic base is primarily retail, industrial and service.

FINANCIAL HIGHLIGHTS

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

Rankin County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a tax increase. The County government tax rate has decreased 3.1% over the last 5 years. This does not include School tax increases.

At September 30, 2004, Rankin County's assets exceeded liabilities in the Governmental Activities by \$140,198,694 and in the Business-type Activities by \$163,637. Of the amount in the Governmental Funds, \$16,292,222, may be used to meet ongoing obligations to citizens and creditors, \$25,192,548 is restricted to specific purposes and \$98,713,924 is invested in capital assets, net of related debt. In the Business-Type Activities, an unrestricted deficit of \$4,555 exists, and \$168,192 is invested in capital assets.

The County's total net assets as reported in the Statement of Activities decreased by \$623,003, which represents a .45% decrease from the prior fiscal year. Of this amount, \$619,310 was in Governmental Funds and \$3,693 was in the Business-type Activities.

The County's ending cash balance in Governmental Activities increased by \$1,158,009, which represents a 2.9% increase from the prior fiscal year.

The County's Governmental Activities capital assets, net of accumulated depreciation, decreased by \$3,235,035 and long-term debt decreased by \$2,745,475.

The County's Governmental Activities had \$43,879,205 total revenues. Property tax revenues accounted for \$23,697,881 or 54% of total revenues. Revenues in the form of operating and capital grants and contributions accounted for \$3,315,997 or 7.5% of total revenues and charges for services accounted for \$9,764,033 or 22.2%.

The County's Governmental Activities had \$44,498,515, in total expenses, which represents a decrease of \$3,953,243 or 8.89% decrease from the prior fiscal year.

Among major funds:

The General Fund had \$25,295,343 in revenues and \$24,461,890 in expenditures with an increase of \$807,151 in fund balance over the prior year.

The County Unit Road Maintenance Fund had \$8,311,094 in revenues and \$6,866,989 in expenditures with an increase in fund balance of \$2,187,599 over the prior year.

The County Unit Bridge and Culvert Fund had \$4,056,194 in revenues and \$2,230,200 in expenditures with an increase in fund balance of \$1,987,435 over the prior year.

The Capital Projects 2000 Road Fund had \$470,242 in revenues and \$5,704,559 in expenditures with a decrease in fund balance of \$5,234,317 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

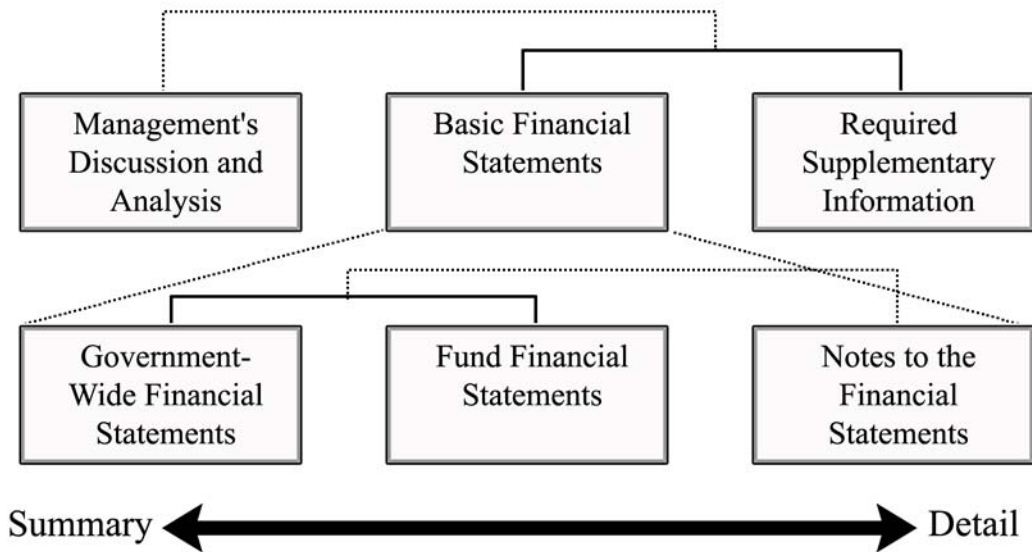


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

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

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

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

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

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

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

Component units consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County.

The blended component unit included is the Rankin County Public Improvement Corporation.

These component units are not included in our basic financial statements:

- Rankin County Economic Development Authority
- Rankin County Human Resource Agency
- Cleary Water, Sewer and Fire Protection District
- Crossgates Fire Protection District
- Evergreen Fire Protection District
- Five Lakes Utility District
- Lake Harbor Fire Protection District
- Leesburg Fire Protection District
- Monterey Fire Protection District
- Reservoir Fire Protection District

- Robinhood Fire Protection District
- Southwest Rankin County Fire Protection District
- Star Fire Protection District
- Rankin First Development Foundation
- Richland Creek Watershed Drainage District

The Government-wide Financial Statements can be found on pages 21 and 22 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 24 and 26, respectively.

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

The basic governmental funds financial statements can be found on pages 23 and 25-26 of this report.

Proprietary funds are maintained two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The County uses enterprise funds to account for the activities at the Pelahatchie Lake Park. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its self-insurance health insurance program. Because these services predominantly benefit governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements can be found on pages 28 - 30 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 31 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 32 - 50 of this report.

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 53 - 57 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on pages 60 - 61 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – Net assets may serve over time as a useful indicator of government's financial position. In the case of Rankin County, assets exceeded liabilities by \$140,198,694 as of September 30, 2004.

By far, the largest portion of the County's net assets, 70%, reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

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

The following table presents a summary of the County's net assets for the fiscal year ended September 30, 2004, as compared to fiscal year September 30, 2003.

	Statement of Net Assets					
	As of September 30					
	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current assets	\$72,512,996	\$70,187,782			\$72,512,996	\$70,187,782
Capital assets	<u>125,268,767</u>	<u>128,503,802</u>	<u>\$168,192</u>	<u>\$174,864</u>	<u>125,436,959</u>	<u>128,678,666</u>
Total assets	<u>\$197,781,763</u>	<u>\$198,691,584</u>	<u>\$168,192</u>	<u>\$174,864</u>	<u>\$197,949,955</u>	<u>\$198,866,448</u>
Current and other liabilities	\$30,303,053	\$31,976,241	\$2,185	5,234	\$30,305,238	\$31,981,475
Long-term liabilities	<u>27,280,016</u>	<u>30,025,491</u>	<u>2,370</u>	<u>2,300</u>	<u>27,282,386</u>	<u>30,027,791</u>
Total liabilities	<u>\$57,583,069</u>	<u>\$62,001,732</u>	<u>\$4,555</u>	<u>\$7,534</u>	<u>\$57,587,624</u>	<u>\$62,009,266</u>
Net assets						
Invested in capital assets						
net of related debt	\$98,713,924	\$99,932,153	\$168,192	\$174,864	\$98,882,116	\$100,107,017
Restricted	25,192,548	25,928,532			25,192,548	25,928,532
Unrestricted	<u>16,292,222</u>	<u>10,829,167</u>	<u>-4,555</u>	<u>-7,534</u>	<u>16,287,667</u>	<u>10,821,633</u>
Total net assets	<u>\$140,198,694</u>	<u>\$136,689,852</u>	<u>\$163,637</u>	<u>\$167,330</u>	<u>\$140,362,331</u>	<u>\$136,857,182</u>

Note: The business-type activities consist of Pelahatchie Lake Park.

Changes in Net Assets – Rankin County’s Governmental Activities total revenues for the fiscal year ended September 30, 2004 was \$43,879,205. The total cost for all services provided was \$44,498,515. The decrease in net assets was \$619,310. The following table presents a summary of the changes in net assets for the fiscal years ended September 30:

	Statement of Activities					
	As of September 30					
	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Program revenues						
Charges for services	\$9,764,033	\$8,772,198	\$65,566	\$55,951	\$9,829,599	\$8,828,149
Operating grants and revenues	1,519,067	2,262,795		1,318	1,519,067	2,264,113
Capital grants and contributions	1,796,930	165,026			1,796,930	165,026
General revenues						
Property taxes	23,697,881	23,244,824			23,697,881	23,244,824
Road and bridge privilege taxes	1,674,593	1,617,269			1,674,593	1,617,269
Unrestricted grants	3,328,475	3,162,352			3,328,475	3,162,352
Other revenue	<u>2,098,226</u>	<u>2,939,652</u>	<u>23,076</u>	<u>32,933</u>	<u>2,121,302</u>	<u>2,972,585</u>
Total Revenues	<u>\$43,879,205</u>	<u>\$42,164,116</u>	<u>\$88,642</u>	<u>\$90,202</u>	<u>\$43,967,847</u>	<u>\$42,254,318</u>
Expenses						
General government	\$11,124,465	\$13,225,740			\$11,124,465	\$13,225,740
Public safety	12,098,301	15,446,556			12,098,301	15,446,556
Public works	16,448,504	14,880,241			16,448,504	14,880,241
Health and welfare	984,623	940,076			984,623	940,076
Conservation of natural resources	236,503	552,825			236,503	552,825
Culture and recreation	1,257,177	1,289,684			1,257,177	1,289,684
Economic development and assistance	820,220	673,039			820,220	673,039
Interest on long-term debt	<u>1,528,722</u>	<u>1,443,597</u>			<u>1,528,722</u>	<u>1,443,597</u>
Total Expenses	<u>\$44,498,515</u>	<u>\$48,451,758</u>			<u>\$44,498,515</u>	<u>\$48,451,758</u>
Business-type activities			\$92,335	\$103,408	\$92,335	\$103,408
Decrease in Net Assets	<u>-\$619,310</u>	<u>-\$6,287,642</u>	<u>-\$3,693</u>	<u>-\$13,206</u>	<u>-\$623,003</u>	<u>-\$6,300,848</u>

Governmental Activities – The following table presents the cost of eight major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation, Conservation of Natural Resources, Economic Development and Assistance and Interest on Long-term Debt..

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

	<u>Total Costs</u>	<u>Net Costs</u>
General Government	\$11,124,465	\$8,240,525
Public Safety	12,098,301	7,055,406
Public Works	16,448,504	11,414,610
Health & Welfare	984,623	867,322
Culture and Recreation	1,257,177	1,257,177
Conservation of Natural Resources	236,503	234,503
Economic Development and Assistance	820,220	820,220
Interest on Long-term Debt	1,528,722	1,528,722

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

- **Governmental funds** – At the close of the fiscal year, Rankin County's governmental funds reported a combined fund balance of \$37,275,443, an increase of \$92,575. The primary reasons for this increase are highlighted in the analysis of governmental activities.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$807,151. This increase was primarily due to increases in local sources of revenue and a reduction in expenditures.

Business-type funds – Revenue from the Pelahatchie Lake Park Fund increased by 13% to \$65,566 and expenses decreased by 10% to \$92,335.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Rankin County revised its annual operating budget on several occasions. [Due to the end of year adjustments, actual disbursements were below final budget amounts by \\$31,000.](#)

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2004, Rankin County's total capital assets in the governmental activities was \$257,688,895. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents a net increase from the previous year of \$5,705,052.

Total accumulated depreciation as of September 30, 2004 was \$132,420,128, including \$9,700,974 of deprecation expense for the year. The balance in total net capital assets in the governmental funds was \$125,268,767 at year-end.

As of September 30, 2004, Rankin County's total capital assets in the proprietary funds was \$214,514. This includes land and improvements other than buildings. This amount represents a net decrease from the previous year of \$10,000.

Total accumulated depreciation as of September 30, 2004 was \$46,322, including \$5,672 of deprecation expense for the year. The balance in total net capital assets in the proprietary funds was \$168,192 at year-end.

Additional information on Rankin County's capital assets can be found in note 6 on pages 40 - 42 of this report.

Debt Administration – At September 30, 2004, Rankin County had \$27,280,016 in long-term debt outstanding. This includes general obligation bonds, other loans payable, limited obligation debt, capital leases payable and compensated absences. Of this debt, \$2,894,459 is due within one year.

Rankin County maintains a "AA" bond rating from Standard and Poors. The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County's outstanding debt is significantly below its current limit of \$145 million.

Additional information on Rankin County's long-term debt can be found in note 10 on pages 46 – 48 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

Rankin County is currently improving major arteries in the county in order to facilitate the increase in traffic caused by the population growth and increase in number of businesses.

In the next fiscal year, the County anticipates refunding approximately \$11,000,000 in long-term debt and issuing new long-term debt of approximately \$16,000,000. The net effect of this refunding and issuance should save the county approximately \$600,000 over the life of the new bonds and will not cause any increase in the tax levy. The next year's budget will be adjusted to reflect these additional revenues and expenditures.

The budget for the next fiscal year reflected an increase of \$3,348,016 or 7.6% in revenues and a decrease of \$1,151,910 or 2.1% in expenses. This is expected to increase the County's net assets.

Rankin County has an unemployment rate of 2.53%. This compares favorably with the state average rate of 6.3%.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Rankin County Administrator's office at 211 East Government Street, Brandon, MS 39042

RANKIN COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

RANKIN COUNTY

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RANKIN COUNTY
Statement of Net Assets
September 30, 2004

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and investments	\$ 40,818,674		40,818,674
Accrued interest receivable	176,532		176,532
Property tax receivable	24,875,205		24,875,205
Accounts receivable (net of allowance for uncollectibles of \$1,733,325)	436,948		436,948
Fines receivable (net of allowance for uncollectibles of \$1,733,325)	703,324		703,324
Capital leases receivable	4,384,836		4,384,836
Intergovernmental receivables	889,237		889,237
Other receivables	228,240		228,240
Capital assets, net	125,268,767	168,192	125,436,959
Total Assets	<u>197,781,763</u>	<u>168,192</u>	<u>197,949,955</u>
LIABILITIES			
Claims payable	1,228,126	2,185	1,230,311
Intergovernmental payables	2,712,119		2,712,119
Matured bonds and interest payable	50,000		50,000
Deferred revenue	25,637,041		25,637,041
Other payables - amounts held in custody	675,767		675,767
Long-term liabilities			
Due within one year:			
Capital debt	2,894,459		2,894,459
Due in more than one year:			
Capital debt	23,660,384		23,660,384
Non-capital debt	725,173	2,370	727,543
Total Liabilities	<u>57,583,069</u>	<u>4,555</u>	<u>57,587,624</u>
NET ASSETS			
Invested in capital assets, net of related debt	98,713,924	168,192	98,882,116
Restricted:			
Expendable:			
General government	2,285,374		2,285,374
Debt service	775,468		775,468
Public safety	2,066,013		2,066,013
Public works	19,955,771		19,955,771
Economic development	5,501		5,501
Unemployment compensation	100,382		100,382
Capital projects	4,039		4,039
Unrestricted	16,292,222	(4,555)	16,287,667
Total Net Assets	<u>\$ 140,198,694</u>	<u>163,637</u>	<u>140,362,331</u>

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

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

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		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 11,124,465	2,883,940			(8,240,525)		(8,240,525)
Public safety	12,098,301	4,501,390	410,143	131,362	(7,055,406)		(7,055,406)
Public works	16,448,504	2,378,703	989,623	1,665,568	(11,414,610)		(11,414,610)
Health and welfare	984,623		117,301		(867,322)		(867,322)
Culture and recreation	1,257,177				(1,257,177)		(1,257,177)
Conservation of natural resources	236,503		2,000		(234,503)		(234,503)
Economic development and assistance	820,220				(820,220)		(820,220)
Interest on long-term debt	1,528,722				(1,528,722)		(1,528,722)
Total Governmental Activities	<u>44,498,515</u>	<u>9,764,033</u>	<u>1,519,067</u>	<u>1,796,930</u>	<u>(31,418,485)</u>	<u>0</u>	<u>(31,418,485)</u>
Business-type activities:							
Pelahatchie Lake	<u>92,335</u>	<u>65,566</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(26,769)</u>	<u>(26,769)</u>
Total Primary Government	<u>\$ 44,590,850</u>	<u>9,829,599</u>	<u>1,519,067</u>	<u>1,796,930</u>	<u>(31,418,485)</u>	<u>(26,769)</u>	<u>(31,445,254)</u>
General revenues:							
Property taxes					\$ 23,697,881		23,697,881
Road & bridge privilege taxes					1,674,593		1,674,593
Grants and contributions not restricted to specific programs					3,328,475		3,328,475
Unrestricted investment income					634,803		634,803
Miscellaneous					1,484,989	1,510	1,486,499
Transfers					<u>(21,566)</u>	<u>21,566</u>	
Total General Revenues and Transfers					<u>30,799,175</u>	<u>23,076</u>	<u>30,822,251</u>
Changes in Net Assets					<u>(619,310)</u>	<u>(3,693)</u>	<u>(623,003)</u>
Net Assets - Beginning					136,689,852	167,330	136,857,182
Prior period adjustment					4,128,152		4,128,152
Net Assets - Beginning, as restated					<u>140,818,004</u>	<u>167,330</u>	<u>140,985,334</u>
Net Assets - Ending					<u>\$ 140,198,694</u>	<u>163,637</u>	<u>140,362,331</u>

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

RANKIN COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2004

Exhibit 3

	Major Funds					Total Governmental Funds
	General Fund	County Unit Road Maintenance Fund	County Unit Bridge and Culvert Fund	Capital Projects/ 2000 Road Fund	Other Governmental Funds	
ASSETS						
Cash and investments	\$ 15,246,443	8,577,800	6,502,403	3,665,273	6,392,898	40,384,817
Accrued interest receivable	69,904	28,392	21,294	28,392	28,550	176,532
Property tax receivable	15,446,895	5,104,950	3,856,360		467,000	24,875,205
Accounts receivable (net of allowance for uncollectibles of \$1,019,545)					436,948	436,948
Fines receivable (net of allowance for uncollectibles of \$1,733,325)	703,324					703,324
Capital lease receivable					4,384,836	4,384,836
Intergovernmental receivables	889,237					889,237
Other receivables	126,899				101,341	228,240
Due from other funds		347,554	146,117		20,818	514,489
Total Assets	\$ 32,482,702	14,058,696	10,526,174	3,693,665	11,832,391	72,593,628
LIABILITIES AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 368,621	119,730	14,286	227,675	235,185	965,497
Amounts held in custody	675,767					675,767
Intergovernmental payables	2,712,119					2,712,119
Due to other funds	514,489					514,489
Matured bonds and interest payable					50,000	50,000
Deferred revenue	16,150,219	5,104,950	3,856,360		5,288,784	30,400,313
Total Liabilities	20,421,215	5,224,680	3,870,646	227,675	5,573,969	35,318,185
Fund balances:						
Reserved for:						
Debt service					775,468	775,468
Unemployment compensation					100,382	100,382
Unreserved, reported in:						
General Fund	12,061,487					12,061,487
Special Revenue Funds		8,834,016	6,655,528	3,465,990	5,378,533	24,334,067
Capital Project Funds					4,039	4,039
Total Fund Balances	12,061,487	8,834,016	6,655,528	3,465,990	6,258,422	37,275,443
Total Liabilities and Fund Balances	\$ 32,482,702	14,058,696	10,526,174	3,693,665	11,832,391	72,593,628

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

RANKIN COUNTY
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 September 30, 2004

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 37,275,443
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$132,420,128.	125,268,767
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,140,272
Capital lease receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	3,623,000
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(27,280,016)
Internal Service Funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	<u>171,228</u>
Total Net Assets - Governmental Activities	<u>\$ 140,198,694</u>

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

RANKIN COUNTY

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RANKIN COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 For the Year Ended September 30, 2004

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	County Unit Road Maintenance Fund	County Unit Bridge and Culvert Fund	Capital Projects/ 2000 Road Fund		
REVENUES						
Property taxes	\$ 14,515,387	5,062,727	3,672,758		447,009	23,697,881
Road and bridge privilege taxes		1,674,593				1,674,593
Licenses, commissions and other revenue	1,957,605	2,095	1,136		47,084	2,007,920
Fines and forfeitures	2,707,941					2,707,941
Intergovernmental revenues	3,545,143	1,467,761	300,000	441,850	889,718	6,644,472
Charges for services	1,029,348				3,897,249	4,926,597
Interest income	534,350	28,392	21,294	28,392	22,375	634,803
Miscellaneous revenues	1,005,569	75,526	61,006		288,878	1,430,979
Total Revenues	25,295,343	8,311,094	4,056,194	470,242	5,592,313	43,725,186
EXPENDITURES						
Current:						
General government	9,696,429					9,696,429
Public safety	10,319,632				1,788,810	12,108,442
Public works		5,163,599	2,132,388	5,704,559	2,890,311	15,890,857
Health and welfare	984,623					984,623
Culture and recreation	1,229,157				28,020	1,257,177
Conservation of natural resources	273,307					273,307
Economic development and assistance	253,220				567,000	820,220
Debt service:						
Principal	1,134,217	956,077	84,089		495,001	2,669,384
Interest	571,305	747,313	13,723		196,381	1,528,722
Total Expenditures	24,461,890	6,866,989	2,230,200	5,704,559	5,965,523	45,229,161
Excess of Revenues over (under) Expenditures	833,453	1,444,105	1,825,994	(5,234,317)	(373,210)	(1,503,975)
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued	185,503	381,593	161,441			728,537
Proceeds from sale of capital assets	43,503	361,901			8,199	413,603
Transfers in					233,742	233,742
Transfers out	(255,308)					(255,308)
Lease principal payments					466,000	466,000
Total Other Financing Sources and Uses	(26,302)	743,494	161,441	0	707,941	1,586,574

	<u>Major Funds</u>					
	<u>General Fund</u>	<u>County Unit Road Maintenance Fund</u>	<u>County Unit Bridge and Culvert Fund</u>	<u>Capital Projects/ 2000 Road Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Net Changes in Fund Balances	<u>807,151</u>	<u>2,187,599</u>	<u>1,987,435</u>	<u>(5,234,317)</u>	<u>334,731</u>	<u>82,599</u>
Fund Balances - Beginning	<u>11,254,336</u>	<u>6,646,417</u>	<u>4,668,093</u>	<u>8,700,307</u>	<u>5,913,715</u>	<u>37,182,868</u>
Prior period adjustment					<u>9,976</u>	<u>9,976</u>
Fund Balances - Beginning, as restated	<u>11,254,336</u>	<u>6,646,417</u>	<u>4,668,093</u>	<u>8,700,307</u>	<u>5,923,691</u>	<u>37,192,844</u>
Fund Balances - Ending	<u>\$ 12,061,487</u>	<u>8,834,016</u>	<u>6,655,528</u>	<u>3,465,990</u>	<u>6,258,422</u>	<u>37,275,443</u>

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

RANKIN 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

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 82,599
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 \$6,862,339 were exceeded by depreciation of \$9,700,974 in the current period.	(2,838,635)
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 gain of \$54,010 and the proceeds from the sale of \$413,603 in the current period.	(359,593)
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.	96,898
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.	24,677
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from the change in fund balances by the principal collections on the capital leases.	(466,000)
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 \$2,669,384 exceeded debt proceeds of \$728,537.	1,940,847
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.	(57,280)
The amount of decrease in claims and judgments.	785,949
An Internal Service Fund is used by management to charge the cost of insurance to individual funds. The net revenue (expense) is reported within governmental activities.	<u>171,228</u>
Change in Net Assets of Governmental Activities	<u>\$ (619,310)</u>

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

RANKIN COUNTY
Statement of Net Assets - Proprietary Funds
September 30, 2004

Exhibit 5

	Business-type Activities - <u>Enterprise Fund</u>	Governmental Activities <u>Self-insurance</u>
	Pelahatchie Lake Fund	Internal Service Fund
ASSETS		
Current assets:		
Cash	\$	433,857
Noncurrent assets:		
Capital assets, net	<u>168,192</u>	
Total Assets	<u>168,192</u>	<u>433,857</u>
LIABILITIES		
Current liabilities:		
Claims payable	2,185	
Claims and judgments		<u>262,629</u>
Total Current Liabilities	<u>2,185</u>	<u>262,629</u>
Noncurrent liabilities		
Non-capital debt:		
Compensated absences payable	<u>2,370</u>	
Total Noncurrent Liabilities	<u>2,370</u>	<u>0</u>
NET ASSETS		
Invested in capital assets	168,192	
Unrestricted	(4,555)	
Restricted for health insurance		<u>171,228</u>
Total Net Assets	<u>\$ 163,637</u>	<u>171,228</u>

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

RANKIN COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
For the Year Ended September 30, 2004

	Business-type Activities - Enterprise Fund	Governmental Activities
	Pelahatchie Lake Fund	Self-insurance Internal Service Fund
Operating Revenues		
Charges for services	\$ 65,566	
Premiums		1,577,035
Miscellaneous		646
Total Operating Revenues	<u>65,566</u>	<u>1,577,681</u>
Operating Expenses		
Cost of sales	86,663	
Depreciation expense	5,672	
Claims payments		1,386,551
Insurance premiums		20,439
Administrative fees		3,204
Total Operating Expenses	<u>92,335</u>	<u>1,410,194</u>
Operating Income (Loss)	<u>(26,769)</u>	<u>167,487</u>
Nonoperating Revenues (Expenses)		
Interest income		3,741
Gain (loss) on sale of capital assets	1,510	
Net Nonoperating Revenue (Expenses)	<u>1,510</u>	<u>3,741</u>
Net Income (Loss) Before Transfers	(25,259)	171,228
Transfers in	21,566	
Changes in Net Assets	<u>(3,693)</u>	<u>171,228</u>
Net Assets - Beginning	<u>167,330</u>	<u>0</u>
Net Assets - Ending	<u>\$ 163,637</u>	<u>171,228</u>

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

RANKIN COUNTY
Statement of Cash Flows - Proprietary Fund Types
For the Year Ended September 30, 2004

Exhibit 7

	Business-type Activities - Enterprise Fund	Governmental Activities
	Pelahatchie Lake Fund	Self-insurance Internal Service Fund
Cash Flows From Operating Activities		
Receipts from customers	\$ 65,566	
Receipts for premiums		1,577,035
Payments to suppliers	(62,920)	
Payments to employees	(26,722)	
Payments for claims		(1,123,922)
Payments to administrator for services		(3,204)
Payments for insurance premiums		(20,439)
Other operating cash receipts		646
Net Cash Provided (Used) by Operating Activities	<u>(24,076)</u>	<u>430,116</u>
Cash Flows From Noncapital Financing Activities		
Cash received from other funds:		
Operating transfers in	<u>21,566</u>	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>21,566</u>	<u>0</u>
Cash Flows From Capital and Related Financing Activities		
Proceeds from sale of capital assets	<u>2,510</u>	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>2,510</u>	<u>0</u>
Cash Flows From Investing Activities		
Interest and dividends on investments		<u>3,741</u>
Net Cash Provided (Used) by Investing Activities	<u>0</u>	<u>3,741</u>
Net Increase (Decrease) in Cash and Cash Equivalents	0	433,857
Cash and Cash Equivalents at Beginning of Year	<u>0</u>	<u>0</u>
Cash and Cash Equivalents at End of Year	<u>\$ 0</u>	<u>433,857</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ <u>(26,769)</u>	<u>167,487</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	5,672	
Changes in assets and liabilities:		
Increase (decrease) in claims payable	(3,049)	
Increase (decrease) in claims and judgments		262,629
Increase (decrease) in compensated absences liability	70	
Total Adjustments	<u>2,693</u>	<u>262,629</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (24,076)</u>	<u>430,116</u>

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

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

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 1,385,091
Accrued interest receivable	410
Other receivables	<u>191,204</u>
Total Assets	<u><u>\$ 1,576,705</u></u>
LIABILITIES	
Amounts held in custody for others	\$ 321,523
Intergovernmental payables	<u>1,255,182</u>
Total Liabilities	<u><u>\$ 1,576,705</u></u>

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

RANKIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Rankin 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 Rankin County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Rankin County Economic Development Authority
- Rankin County Human Resources Agency
- Cleary Water, Sewer and Fire Protection District
- Crossgates Fire Protection District
- Evergreen Fire Protection District
- Five Lakes Utility District
- Lake Harbor Fire Protection District
- Leesburg Fire Protection District
- Monterey Fire Protection District
- Reservoir Fire Protection District
- Robinhood Fire Protection District
- Southwest Rankin County Fire Protection District
- Star Fire Protection District
- Rankin First Development Foundation
- Richland Creek Watershed Drainage District

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
- Tax Collector
- Sheriff

RANKIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

B. Individual Component Unit Disclosures.

Blended Component Unit

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component unit's balances and transactions are blended with the balances and transactions of the primary government.

A three-member board appointed by the Rankin County Board of Supervisors governs the Rankin County Public Improvement Corporation. Although it is legally separate from the county, the corporation is reported as if it were part of the primary government because its sole purpose is to finance and construct the county's buildings.

C. Basis of Presentation.

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

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 which are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

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

Fund Financial Statements:

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

RANKIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

D. Measurement Focus and Basis of Accounting.

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

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

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

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.

County Unit Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

County Unit Bridge and Culvert Fund - This fund is used to account for monies from specific revenue sources that are restricted for maintenance and installation of bridges and culverts.

Capital Projects/2000 Road Fund - This fund is used to account for monies from specific sources that are restricted for major road renovation.

The county reports the following major Proprietary Fund:

Pelahatchie Lake Fund - This fund is used to account for recreational business activities at the lake.

RANKIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

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.

PROPRIETARY FUND TYPES

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

Internal Service Funds - These funds are used to account for those operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The county's internal service fund reports on self-insurance programs for employee medical benefits.

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.

E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 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.

F. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

RANKIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

G. Receivables.

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

H. Interfund Transactions and Balances.

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

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial 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 retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and proprietary 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.

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

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

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

J. Long-term Liabilities.

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

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

K. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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.

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

L. Property Tax Revenues.

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

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

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

M. Intergovernmental Revenues in Governmental Funds.

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

N. Compensated Absences.

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

(2) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
Capital lease receivable	\$ 4,089,000
Long-term liability - other loan	75,959
Capital assets - construction in progress	<u>(36,807)</u>
Total prior period adjustment	<u>\$ 4,128,152</u>

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

Exhibit 4 - Statement of Revenues, Expenditure and Changes in Fund Balances.

<u>Explanation</u>	<u>Amount</u>
Deferred revenue	\$ <u>9,976</u>
Total prior period adjustment	\$ <u><u>9,976</u></u>

Adjustment to capital lease receivable required to recognize revenue from capital lease receivable. Revenue should have been recognized at the inception of the capital lease receivable.

Adjustment to long-term liability required to recognize debt service payments made in prior years.

Adjustment to capital assets required to delete construction in progress amount which is below the capitalization thresholds.

Adjustment to deferred revenue required to reduce fund balance by amount of deferred revenue recognized in prior year.

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$20,762,454, and the bank balance was \$22,349,861. 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.

Investments:

The county's investments at year end are shown below. All of the county's investments are uninsured and unregistered and are held by the counterparty's trust department in the county's name. The mutual fund investments are not backed by the full faith and credit of the federal government and are unallowable investment types under state law.

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>
U. S. government obligations	\$ 5,172,552	5,183,125
Collateralized mortgage obligations	6,244,485	6,225,509
Municipal obligations	2,205,152	2,220,466
Corporate bonds	3,726,970	3,827,072
Difference in county's carrying value of investments and Trustmark's carrying values	<u>(68,731)</u>	<u> </u>
Total	17,280,428	17,456,172
Mutual fund investment - Goldman Sachs Financial Square Funds	<u>4,160,883</u>	<u>4,160,883</u>
Total	<u>\$ 21,441,311</u>	<u>21,617,055</u>

(4) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
County Unit Road Maintenance	General	\$ 347,554
County Unit Bridge and Culvert	General	146,117
Other Governmental Funds	General	<u>20,818</u>
Total		<u>\$ 514,489</u>

The receivables represent the tax revenue collected but not settled until October, 2004. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 233,742
Pelahatchie Lake Fund	General Fund	<u>21,566</u>
Total		<u>\$ 255,308</u>

The principal purpose of the interfund transfers was to cover year end deficits, except in the transfer to Pelahatchie Lake Fund, which was to provide operating funds for the Proprietary Fund. The interfund transfers were routine and consistent with the activities of the fund making the transfer.

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

(5) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ <u>889,237</u>

(6) Capital Assets.

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

Governmental activities:

	<u>Balance</u> <u>Oct. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments *</u>	<u>Balance</u> <u>Sept. 30, 2004</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 2,593,654				2,593,654
Construction in progress	36,807			(36,807)	
Total non-depreciable capital assets	<u>2,630,461</u>	<u>0</u>	<u>0</u>	<u>(36,807)</u>	<u>2,593,654</u>
<u>Depreciable capital assets:</u>					
Infrastructure	175,025,220	4,951,534			179,976,754
Buildings	51,127,643				51,127,643
Improvements other than buildings	769,901				769,901
Mobile equipment	7,172,647	1,154,504	606,169	272,384	7,993,366
Furniture and equipment	7,322,710	213,267	98,635		7,437,342
Leased property under capital leases	7,935,261	543,034	415,676	(272,384)	7,790,235
Total depreciable capital assets	<u>249,353,382</u>	<u>6,862,339</u>	<u>1,120,480</u>	<u>0</u>	<u>255,095,241</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	96,374,863	6,121,891			102,496,754
Buildings	12,763,391	1,017,538			13,780,929
Improvements other than buildings	386,064	33,740			419,804
Mobile equipment	4,881,925	740,794	530,765	196,112	5,288,066
Furniture and equipment	4,965,859	829,754	80,482		5,715,131
Leased property under capital leases	4,107,939	957,257	149,640	(196,112)	4,719,444
Total accumulated depreciation	<u>123,480,041</u>	<u>9,700,974</u>	<u>760,887</u>	<u>0</u>	<u>132,420,128</u>

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

	Balance Oct. 1, 2003	Additions	Deletions	Adjustments *	Balance Sept. 30, 2004
Total depreciable capital assets, net	125,873,341	(2,838,635)	359,593	0	122,675,113
Governmental activities capital assets, net	\$ 128,503,802	(2,838,635)	359,593	(36,807)	125,268,767

* Adjustments were made to remove prior year construction in progress amount which is below the capitalization thresholds and to reclassify paid out lease purchases.

Business-type activities:

	Balance Oct. 1, 2003	Additions	Deletions	Adjustments	Balance Sept. 30, 2004
<u>Non-depreciable capital assets:</u>					
Land	\$ 47,448	0	0	0	47,448
<u>Depreciable capital assets:</u>					
Buildings	50,520				50,520
Improvements other than buildings	116,546				116,546
Mobile equipment	10,000		10,000		0
Total depreciable capital assets	177,066	0	10,000	0	167,066
<u>Less accumulated depreciation for:</u>					
Buildings	5,050	1,010			6,060
Improvements other than buildings	35,600	4,662			40,262
Mobile equipment	9,000		9,000		0
Total accumulated depreciation	49,650	5,672	9,000	0	46,322
Total depreciable capital assets, net	127,416	(5,672)	1,000	0	120,744
Business-type activities capital assets, net	\$ 174,864	(5,672)	1,000	0	168,192

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental activities:	
General government	\$ 1,895,295
Public safety	1,140,890
Public works	<u>6,664,789</u>
Total governmental activities depreciation expense	<u>\$ 9,700,974</u>
Business-type activities:	
Parks and recreation	<u>\$ 5,672</u>

As of September 30, 2004, the county had the following commitments:

On May 1, 2000, the Rankin County Board of Supervisors entered into an agreement with the City of Flowood to pledge to the city, for payment of a portion of the principal, interest, fees and expenses of the bonds for the Dogwood Festival Market Project, the avails of the added incremental increase in county ad valorem taxes levied against the real and personal property constituting the project. County ad valorem taxes for school district purposes shall not be subject to the pledge of ad valorem taxes. The pledge of tax revenues is irrevocable until such time as the entirety of the principal, interest, fees and expenses relating to the bonds are paid in full. In the event that there shall be surplus revenues on December 31, the surplus revenue shall be reimbursed to the city and county on a pro rata basis.

On September 4, 2001, the Rankin County Board of Supervisors entered into an agreement with the City of Brandon to pledge to the city, for payment of a portion of the principal, interest, fees and expenses of the bonds for the Ergon Properties Project, the avails of the added incremental increase in county ad valorem taxes levied against the real and personal property constituting the project. County ad valorem taxes for school district purposes shall not be subject to the pledge of ad valorem taxes. The pledge of tax revenues is irrevocable until such time as the entirety of the principal, interest, fees and expenses relating to the bonds are paid in full.

(7) 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, fire fighters and road construction personnel and \$400,000 for all other employees for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 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.

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

Until March 31, 2004, the county financed 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 was exposed. Premium payments to the pool were determined on an actuarial basis. The county purchased commercial insurance to cover all claims in excess of premium contributions. Claims expenses and liabilities were reported when it was probable that a loss had occurred and the amount of that loss could be reasonably estimated.

The county had no year end liability because the county terminated their participation in the risk pool on March 31, 2004, and the county began providing coverage.

The county is exposed to risk of loss relating to employee health, accident and dental coverage. Beginning in April 2004, and pursuant to Section 25-15-101, Miss. Code Ann. (1972), the county established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss. The Rankin County Board of Supervisors has extended coverage to the employees of the following public entities:

- Town of Pelahatchie
- Region 8 Mental Health
- Rankin First
- Rankin County Human Resource Agency
- Cleary Water, Sewer and Fire Protection District
- USDA Soil and Water Conservation, Rankin County District

Under the plan, amounts payable to the risk management fund are based on actuarial estimates. Each participating public entity, including Rankin County, pays the premium on a single coverage policy for its respective employees. Employees desiring additional and/or dependent coverage pay the additional premium through a payroll deduction. Premium payments to the risk management fund are determined on an actuarial basis. The county has a minimum uninsured risk retention for all participating entities, including Rankin County, to the extent that actual claims submitted exceed the predetermined premium. The county has implemented the following plan to minimize this potential loss:

The county has purchased coinsurance 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 \$75,000.

Claims expenditures 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). At September 30, 2004, the amount of these liabilities was \$262,629. An analysis of claims activities for the Internal Service Fund is presented below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2003-2004	\$ <u>0</u>	<u>1,386,551</u>	<u>1,123,922</u>	<u>262,629</u>

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

(8) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$140,000 for the year ended September 30, 2004. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2005	\$ 140,000
2006	140,000
2007	140,000
2008	140,000
2009	140,000
2010-2014	700,000
2015-2019	700,000
2020-2024	700,000
2025-2029	<u>280,000</u>
Total Minimum Payments Required	<u>\$ 3,080,000</u>

In addition to the future lease receivables, the county receives annual compensation in lieu of taxes equal to the difference in \$500,000 per year and the actual taxes assessed and/or imposed on the real and personal property of the leased property. For the year ended September 30, 2004, the county received \$388,803 in lieu taxes.

(9) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2004:

<u>Classes of Property</u>	<u>Amount</u>
Buildings	<u>\$ 7,660,000</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2004, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 497,000	190,712
2006	523,000	165,158
2007	549,000	138,012
2008	580,000	108,993
2009	611,000	78,042
2010-2014	775,000	74,000
2015-2019	<u>88,000</u>	<u>6,919</u>
Total	<u>\$ 3,623,000</u>	<u>761,836</u>

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

As Lessee:

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

Classes of Property	Governmental Activities
Mobile equipment	\$ 1,813,022
Other furniture and equipment	<u>5,977,213</u>
Total	7,790,235
Less: Accumulated depreciation	<u>4,719,444</u>
Leased Property Under Capital Leases	<u><u>\$ 3,070,791</u></u>

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

Year Ending September 30	Governmental Activities	
	Principal	Interest
2005	\$ 1,288,444	262,745
2006	1,355,748	123,938
2007	805,080	162,908
2008	1,033,814	119,283
2009	676,090	82,504
2010	<u>990,312</u>	<u>62,459</u>
Total	<u><u>\$ 6,149,488</u></u>	<u><u>813,837</u></u>

(10) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
2000A road bonds	\$ 11,325,000	5.00/6.25	07/15
2000B building bonds	<u>5,285,000</u>	5.00/7.25	07/20
Total General Obligation Bonds	<u><u>\$ 16,610,000</u></u>		
B. Limited Obligation Bonds:			
Rankin County certificates of participation	\$ 145,000	6.30/6.40	05/07
Rankin County certificates of participation	<u>1,945,000</u>	5.78	04/09
Total Limited Obligation Bonds	<u><u>\$ 2,090,000</u></u>		

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
C. Capital Leases:			
800 trunking communications system	\$ 1,712,141	4.84	12/10
Motorola E-911 radio equipment	37,849	7.23	02/06
Caterpillar motor graders (2)	233,550	3.69	01/05
Early warning storm system	138,946	6.30	01/07
High speed printer	4,531	4.11	06/05
E-911 equipment	840,067	5.17	01/10
2002 Caterpillar 315C excavator	84,276	3.46	03/07
3 Case 590M backhoes	170,957	3.45	05/06
Offendertrak jail management system	1,513,071	4.99	06/10
2 2004 Sterling trucks with Warren dump bodies	103,787	3.46	06/08
2 Case bulldozers and 1 Ingersoll-Rand sheepsfoot roller	184,013	2.60	07/06
Voting machines	482,881	2.75	07/06
IBM model 810 hardware and software	129,874	2.91	08/06
Komatsu front loader	87,825	3.04	01/08
2 Caterpillar motor graders	297,923	3.04	02/08
3 Case backhoes	<u>127,797</u>	3.04	04/08
Total Capital Leases	<u>\$ 6,149,488</u>		
D. Other Loans:			
Road note - Flowood	\$ 849,000	6.10/6.30	04/12
Road note - Pearl	387,206	4.60	02/19
Capital improvements loan - DECD	<u>469,149</u>	3.75	04/10
Total Other Loans	<u>\$ 1,705,355</u>		

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		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2005	\$ 970,000	918,615	440,000	116,165
2006	1,030,000	856,453	460,000	90,210
2007	1,085,000	789,878	490,000	62,899
2008	1,150,000	719,765	460,000	33,957
2009	1,220,000	662,265	240,000	6,936

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

<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>
2010 - 2014	7,240,000	2,286,395		
2015 - 2019	3,420,000	582,930		
2020 - 2024	495,000	28,956		
Total	<u>\$ 16,610,000</u>	<u>6,845,257</u>	<u>2,090,000</u>	<u>310,167</u>

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 196,015	106,818
2006	206,869	77,862
2007	217,449	67,570
2008	232,222	56,664
2009	230,372	44,999
2010 - 2014	557,150	78,325
2015 - 2019	65,278	8,679
Total	<u>\$ 1,705,355</u>	<u>440,917</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, 2004, the amount of outstanding debt was equal to 1.80% of the latest property assessments.

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	Adjustments *	Balance Sept. 30, 2004	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 667,893	57,280			725,173	
Claims and judgments **	785,949		785,949			
General obligation bonds	17,530,000		920,000		16,610,000	970,000
Limited obligation bonds	2,500,000		410,000		2,090,000	440,000
Capital leases	6,571,607	728,537	1,150,656		6,149,488	1,288,444
Other loans	1,970,042		188,728	(75,959)	1,705,355	196,015
Total	<u>\$ 30,025,491</u>	<u>785,817</u>	<u>3,455,333</u>	<u>(75,959)</u>	<u>27,280,016</u>	<u>2,894,459</u>
Business-type Activities:						
Compensated absences	\$ 2,300	70	0	0	2,370	0

* Adjustment was made for payments made in prior years.

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

** Schedule reflects the transition from the county's participation in the Mississippi Public Entity Employment Benefit Trust to an internal service fund. Internal service funds predominantly serve the governmental funds. Refer to Note 7 for additional information.

(11) Contingencies.

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

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

General Obligation Debt Contingencies - The county issues general obligation bonds to provide funds for constructing and improving capital facilities of Trilogy, Inc. and the City of Pelahatchie. Such debt is being retired from pledged resources of these entities and, therefore, is reported as a liability of those entities. However, because general obligation bonds are backed by the full faith, credit and taxing power of the county, the county remains contingently liable for its retirement. The principal amount of such debt outstanding at year end is as follows:

<u>Description</u>	Balance at Sept. 30, 2004
Trilogy, Inc. G.O. Industrial Bonds	\$ 3,170,000
Pelahatchie Sewer Improvement G.O. Bonds	150,000
Pelahatchie Water Improvement G.O. Bonds	<u>303,000</u>
Total	<u>\$ 3,623,000</u>

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

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

<u>Description</u>	Balance at Sept. 30, 2004
Industrial revenue bonds	<u>\$ 13,515,000</u>

RANKIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

(13) Joint Venture.

The county participates in the following joint venture:

Rankin County is a participant with Scott, Simpson and Smith 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 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 \$1,229,080 in fiscal year 2004. Complete financial statements for the Central Mississippi Regional Library System can be obtained from 3470 Hwy 80 East, Pearl, MS 39208.

(14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

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 Rankin County Board of Supervisors appoints two of the 26 members of the board. The county provided no financial support in fiscal year 2004.

Central Mississippi Planning and Development District operates in a district composed of the Counties of Copiah, Hinds, Madison, Rankin, Warren and Yazoo. The Rankin County Board of Supervisors appoints three of the 33 members of the board of directors. The county appropriated \$18,964 for support of the district 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 Rankin County Board of Supervisors appoints two of the 30 board members. The county provides a modest amount of support when matching funds are required for federal grants.

Hinds Community College operates in a district composed of the Counties of Claiborne, Copiah, Hinds, Rankin and Warren. The Rankin County Board of Supervisors appoints one of the 15 members of the college board of trustees. The county appropriated \$1,331,643 for maintenance and \$603,663 for improvement of the college in fiscal year 2004.

Region Eight Mental Health Commission operates in a district composed of the Counties of Copiah, Madison, Rankin and Simpson. The Rankin County Board of Supervisors appoints one member of the board of commissioners. The county appropriated \$337,000 for support of the commission in fiscal year 2004.

(15) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2004, 2003 and 2002 were \$1,100,085, \$1,057,726 and \$1,015,203, respectively, equal to the required contributions for each year.

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

(16) Subsequent Event.

Subsequent to September 30, 2004, Rankin County issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
01/26/05	4.01	\$ 16,870,000	General obligation bonds	Tax levy

RANKIN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

RANKIN COUNTY

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RANKIN 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	\$ 14,427,100	14,258,968	14,258,968	
Licenses, commissions and other revenue	1,588,200	1,767,904	1,767,904	
Fines and forfeitures	1,075,007	2,695,322	2,696,304	982
Intergovernmental revenues	2,983,000	3,544,078	3,544,078	
Charges for services	766,000	908,543	908,543	
Interest income	360,000	539,719	539,719	
Miscellaneous revenues	699,500	925,924	925,924	
Total Revenues	<u>21,898,807</u>	<u>24,640,458</u>	<u>24,641,440</u>	<u>982</u>
EXPENDITURES				
Current:				
General government	10,015,309	9,596,206	9,562,234	33,972
Public safety	9,251,675	10,357,424	10,357,424	
Public works	206,550	207,142	207,142	
Health and welfare	923,728	996,832	996,832	
Culture and recreation	1,229,080	1,229,080	1,229,080	
Conservation of natural resources	352,570	281,127	281,156	(29)
Economic development and assistance	58,164	55,895	89,837	(33,942)
Debt service:				
Principal	1,063,478	1,128,064	1,134,217	(6,153)
Interest		569,081	562,929	6,152
Total Expenditures	<u>23,100,554</u>	<u>24,420,851</u>	<u>24,420,851</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(1,201,747)</u>	<u>219,607</u>	<u>220,589</u>	<u>982</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued		154,292	154,292	
Proceeds from sale of capital assets		50,487	50,487	
Transfers in		129,087	129,087	
Transfers out		(386,905)	(386,905)	
Other financing sources	1,171,291			
Total Other Financing Sources and Uses	<u>1,171,291</u>	<u>(53,039)</u>	<u>(53,039)</u>	<u>0</u>
Net Change in Fund Balance	(30,456)	166,568	167,550	982
Fund Balances - Beginning	<u>7,450,000</u>	<u>11,237,094</u>	<u>11,237,094</u>	
Fund Balances - Ending	<u>\$ 7,419,544</u>	<u>11,403,662</u>	<u>11,404,644</u>	<u>982</u>

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

RANKIN COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 County Unit Road Maintenance Fund
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,829,753	4,936,360	4,936,360	
Road and bridge privilege taxes	1,500,000	1,671,224	1,671,224	
Licenses, commissions and other revenue	2,000	2,095	2,095	
Intergovernmental revenues	543,368	1,467,761	1,467,761	
Interest income	10,000	28,392	28,392	
Miscellaneous revenues	10,000	75,526	75,526	
Total Revenues	<u>6,895,121</u>	<u>8,181,358</u>	<u>8,181,358</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	5,236,306	4,840,853	4,809,853	31,000
Debt service:				
Principal	1,658,815	956,094	956,094	
Interest		746,860	746,860	
Total Expenditures	<u>6,895,121</u>	<u>6,543,807</u>	<u>6,512,807</u>	<u>31,000</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>1,637,551</u>	<u>1,668,551</u>	<u>31,000</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		361,901	361,901	
Other financing uses		(90,000)	(121,000)	(31,000)
Total Other Financing Sources and Uses	<u>0</u>	<u>271,901</u>	<u>240,901</u>	<u>(31,000)</u>
Net Change in Fund Balance		1,909,452	1,909,452	
Fund Balances - Beginning	<u>2,000,000</u>	<u>6,696,740</u>	<u>6,696,740</u>	
Fund Balances - Ending	<u>\$ 2,000,000</u>	<u>8,606,192</u>	<u>8,606,192</u>	<u>0</u>

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

RANKIN COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 County Unit Bridge and Culvert Fund
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,629,400	3,604,693	3,604,693	
Licenses, commissions and other revenue	1,000	1,136	1,136	
Intergovernmental revenues		300,000	300,000	
Interest income		21,294	21,294	
Miscellaneous revenues		1,006	1,006	
Total Revenues	<u>3,630,400</u>	<u>3,928,129</u>	<u>3,928,129</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	3,542,997	2,162,368	2,162,368	
Debt service:				
Principal	87,403	84,089	84,089	
Interest		13,723	13,723	
Total Expenditures	<u>3,630,400</u>	<u>2,260,180</u>	<u>2,260,180</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>1,667,949</u>	<u>1,667,949</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued		60,000	60,000	
Total Other Financing Sources and Uses	<u>0</u>	<u>60,000</u>	<u>60,000</u>	<u>0</u>
Net Change in Fund Balance	0	1,727,949	1,727,949	
Fund Balances - Beginning	<u>2,000,000</u>	<u>4,795,748</u>	<u>4,795,748</u>	
Fund Balances - Ending	<u>\$ 2,000,000</u>	<u>6,523,697</u>	<u>6,523,697</u>	<u>0</u>

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

RANKIN COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Capital Projects/2000 Road Fund
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$	441,850	441,850	
Interest income		28,392	28,392	
Total Revenues	<u>0</u>	<u>470,242</u>	<u>470,242</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	<u>9,200,000</u>	<u>5,646,508</u>	<u>5,646,508</u>	
Total Expenditures	<u>9,200,000</u>	<u>5,646,508</u>	<u>5,646,508</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(9,200,000)</u>	<u>(5,176,266)</u>	<u>(5,176,266)</u>	<u>0</u>
Net Change in Fund Balance	(9,200,000)	(5,176,266)	(5,176,266)	
Fund Balances - Beginning	<u>9,200,000</u>	<u>8,869,931</u>	<u>8,869,931</u>	
Fund Balances - Ending	<u>\$ 0</u>	<u>3,693,665</u>	<u>3,693,665</u>	<u>0</u>

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

RANKIN 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, Tax Assessor and Tax 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 and each major Special Revenue 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:

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>County</u>	<u>County</u>	<u>Capital</u>
	<u>Fund</u>	<u>Unit Road</u>	<u>Unit Bridge</u>	<u>Projects/</u>
		<u>Maintenance</u>	<u>and Culvert</u>	<u>2000 Road</u>
		<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
Budget (Cash Basis)	\$ 167,550	1,909,452	1,727,949	(5,176,266)
Increase (Decrease)				
Net adjustments for revenue accruals	678,130	511,329	289,466	
Net adjustments for expenditure accruals	<u>(38,529)</u>	<u>(233,182)</u>	<u>(29,980)</u>	<u>(58,051)</u>
GAAP Basis	<u>\$ 807,151</u>	<u>2,187,599</u>	<u>1,987,435</u>	<u>(5,234,317)</u>

RANKIN COUNTY

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RANKIN COUNTY

SUPPLEMENTAL INFORMATION

RANKIN COUNTY
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 AWARDS			
U. S. Department of Agriculture/Passed-through the Mississippi Soil and Water Conservation Commission Soil and water conservation	10.902	69-4423-3-9353	\$ <u>300,000</u>
Total Expenditures of Major Federal Awards			<u>300,000</u>
OTHER FEDERAL AWARDS			
Office of National Drug Control Policy/Passed-through the Mississippi Department of Public Safety/Marine Resources/ Narcotics High intensity drug trafficking area (HIDTA)	07.UN	13PGCP546	<u>46,393</u>
U.S. Department of Interior - Passed-through the Mississippi Department of Wildlife, Fisheries and Parks Wildlife restoration	15.611	N/A	<u>2,000</u>
U.S. Department of Justice - Domestic cannabis eradication/suppression program	16.UN	2004-72	<u>15,000</u>
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	17,592
Highway planning and construction	20.205	N/A	<u>73,348</u>
Total U.S. Department of Transportation			<u>90,940</u>
U.S. Social Security Administration/Passed-through the Mississippi Department of Rehabilitation Services Social security disability insurance	96.001	N/A	<u>6,400</u>

RANKIN COUNTY
 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
Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency			
State domestic preparedness equipment support program	97.004	3SUP23	65,514
State domestic preparedness equipment support program subtotal	97.004	3SSG-1074	<u>65,847</u>
Public assistance grants	97.036	1459-DR-MS-121	<u>4,363</u>
Total Department of Homeland Security			<u>135,724</u>
 Total Expenditures of Other Federal Awards			 <u>296,457</u>
 Total Expenditures of Federal Awards			 <u>\$ 596,457</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.

RANKIN COUNTY

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RANKIN COUNTY

SPECIAL REPORTS

RANKIN COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Rankin County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Rankin County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated April 8, 2005. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. 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 Rankin County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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



PHIL BRYANT
State Auditor



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

April 8, 2005



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Rankin County, Mississippi

Compliance

We have audited the compliance of Rankin 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. Rankin 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 Rankin County, Mississippi's management. Our responsibility is to express an opinion on Rankin 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 Rankin 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 Rankin County, Mississippi's compliance with those requirements.

In our opinion, Rankin County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2004.

Internal Control Over Compliance

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

Our 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we 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.



PHIL BRYANT
State Auditor



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

April 8, 2005



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Rankin County, Mississippi

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

The Board of Supervisors of Rankin County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Rankin 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, Rankin County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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

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



PHIL BRYANT
State Auditor



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

April 8, 2005

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

Schedule 1

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

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

Schedule 2

Our test results did not identify any emergency purchases.

RANKIN COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2004

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
02/23/04	Elan Mira Stenewriter	\$ 15,000	Senograph, LLC
04/12/04	X26E Taser with holster, magazine, belt clip and air cartridge	22,578	Belsco, Inc.
05/16/04	Aqua Reslin, Altosid Bricketts, Permanone, Mavrik (mosquito (insectucudes\larvalides)	8,665	Adapco, Inc.
07/12/04	Aqua Reslin	6,210	Adapco, Inc.
09/01/04	Aqua Reslin	7,354	Adapco, Inc.

RANKIN COUNTY

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RANKIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

RANKIN COUNTY

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RANKIN 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 primary government financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | No |
| | b. Reportable condition identified that is not considered to be a material weakness? | None reported |
| 3. | Noncompliance material to the primary government financial statements? | No |

Federal Awards:

- | | | |
|-----|---|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Reportable condition identified that is not considered to be a material weakness? | None reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit findings reported as required by Section ____.510(a) of Circular A-133? | No |
| 7. | Federal program identified as a major program: | |
| | Soil and water conservation, CFDA #10.902 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____.315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

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

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.