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RANKIN COUNTY, MISSISSIPPI
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2014

**RANKIN COUNTY, MISSISSIPPI
TABLE OF CONTENTS**

INDEPENDENT AUDITORS' REPORT.....	3
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	7
FINANCIAL STATEMENTS	
Statement of Net Position.....	17
Statement of Activities.....	18
Balance Sheet - Governmental Funds.....	19
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	21
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	22
Statement of Net Position - Proprietary Funds.....	23
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds.....	24
Statement of Cash Flows - Proprietary Funds.....	25
Statement of Fiduciary Assets & Liabilities.....	26
Notes to the Financial Statements.....	27
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) General Fund.....	46
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) County Unit Road Maintenance Fund.....	47
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) County Unit Bridge and Culvert Fund.....	48
Notes to the Required Supplementary Information.....	49
SUPPLEMENTAL INFORMATION	
Schedule of Expenditure of Federal Awards.....	51
OTHER INFORMATION	
Schedule of Surety Bonds for County Officials.....	53
SPECIAL REPORTS	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance required by OMB Circular A-133.....	57
Independent Auditors' Report of Central Purchasing System, Inventory Control System and Purchase Clerk Schedules.....	59
Limited Internal Control and Compliance Review Management Report.....	63
Schedule of Findings and Questioned Costs.....	65

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INDEPENDENT AUDITORS' REPORT

May 31, 2015

Members of the Board of Supervisors
Rankin County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rankin County, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Rankin County, Mississippi, as of September 30, 2014, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on the Governmental Activities

As discussed in Note 10 to the financial statements, the County has not recorded a liability for other postemployment benefits in the governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net assets and charge the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net assets and expenses of the governmental activities is not reasonably determinable.

Unmodified Opinions

In our opinion, except for the effects of the matter discussed in the preceding sections, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Rankin County, Mississippi, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's discussion and Analysis, the Budgetary Comparison Schedules and corresponding notes, and the Schedule of Funding Progress – Other Postemployment Benefits be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

Rankin County, Mississippi, has omitted the Schedule of Funding Progress – Other Postemployment Benefits that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

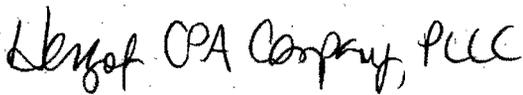
Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2015, on our consideration of Rankin County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rankin County, Mississippi's internal control over financial reporting and compliance.


Herzog CPA Company, PLLC

**RANKIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2014

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, 2014. 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.

Rankin County is located in Central Mississippi along Interstate I-20. The population, according to the 2010 census, is 141,617. The local economic base is driven by retail, industrial, and service.

FINANCIAL HIGHLIGHTS

Rankin County remains financially stable. The County, through the Board of Supervisors and County Administrator's Office continues to excel in fiscal management by employing sound financial planning, disciplined budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

There was an decrease in expenses of \$4,994,033 from the prior year.

Total net position increased \$8,906,317, of which \$(6,546) was a prior period adjustment. This represents a 5.34% increase from the prior fiscal year.

The County had \$67,547,789 in total governmental activities revenues, which represents an increase of \$3,980,239 or 6% increase from the prior year. Property tax revenues account for \$40,377,427 or 60% of total revenues. Revenues in the form of revenues for operating and capital grants and contributions accounted for \$5,652,785 or 8% of total revenues. Revenues in the form of charges for services accounted for \$10,929,906 or 16% of total revenues.

The County had \$72,211,003 in total expenditures, which represents an decrease of \$8,732,920 or 11% decrease from the prior fiscal year.

Among major funds, the General Fund had \$34,552,702 in revenues and \$35,165,399 in expenditures. The General Fund's fund balance decreased \$104,727 over the prior year.

Capital assets, net of accumulated depreciation, increased by \$6,163,977 over the prior year.

Long-term debt payments were \$7,600,059, for the fiscal year ended September 30, 2014. This was a total decrease in long-term debt of \$3,600,059.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basis 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 Supplemental Information is included in addition to the basic financial statements.

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

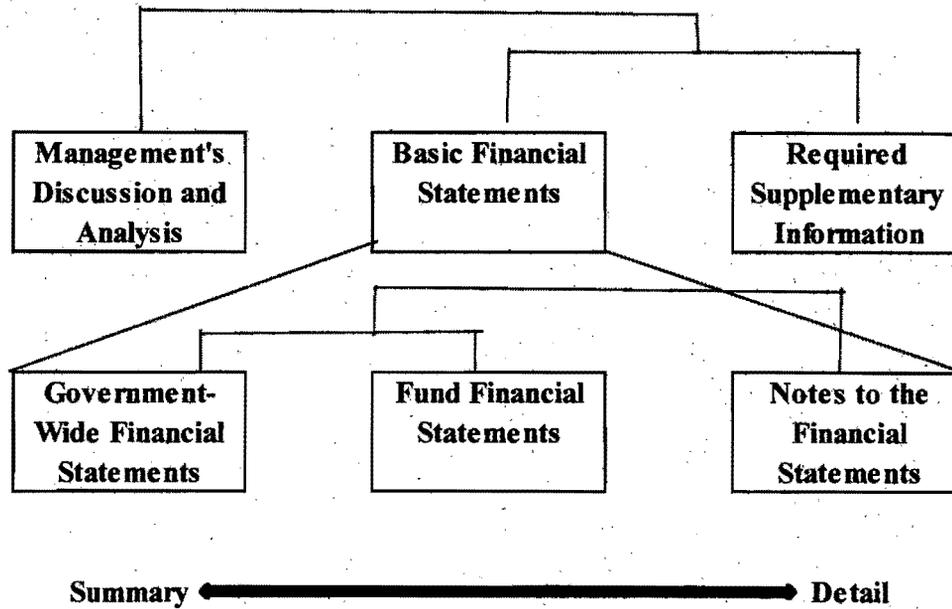


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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 position • 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 position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary assets and liabilities
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 position** presents information on all County assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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.

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
- Evergreen Fire Protection District
- Lake Harbor Fire Protection District
- Reservoir Fire Protection District
- Robinhood Water, Sewer, and Fire Protection District
- Southwest Rankin County Fire Protection District
- Star Fire Protection District
- Richland Creek Watershed Drainage District

The Government-wide Financial Statements can be found on pages 17 and 18 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, proprietary, and fiduciary.

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 revenues, debt service, and capital project funds.

Because of 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 page 20 and 22, respectively.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual*. 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 19 and 21 of this report.

Proprietary Funds are used to account for the activities of the self-insurance internal service fund.

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 26 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 are not included in this report; however, we expect them to be included in the Audit 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 special revenue fund. This required supplementary information can be found on pages 47 through 50 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position - Net position may serve over time as a useful indicator of government's financial position. In the case of Rankin County, assets exceeded liabilities by \$175,549,090 as of September 30, 2014, of which \$175,549,090 was governmental activities and none was business-type activities.

The largest portion of the County's assets, 61% 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 position at September 30, 2014, as compared to September 30, 2013.

	Governmental Activities	
	2014	2013
Current Assets	\$ 109,583,125	\$ 110,937,871
Non-Current Assets	168,946,417	162,782,440
Total Assets	<u>\$ 278,529,542</u>	<u>\$ 273,720,311</u>
Current Liabilities	\$ 46,032,249	\$ 45,731,712
Long-term Debt outstanding	56,948,203	61,345,826
Total Liabilities	<u>102,980,452</u>	<u>107,077,538</u>
Net Position:		
Net Investment in Capital Assets	113,225,916	103,332,867
Restricted	61,106,796	62,620,705
Unrestricted	1,216,378	689,201
Total Net Position	<u>\$ 175,549,090</u>	<u>\$ 166,642,773</u>

Changes in Net Position - Rankin County's total revenues for the fiscal year ended September 30, 2014 were \$67,547,789. The total cost for all services provided was \$58,634,926. The increase in net position was \$8,906,317. The following table presents a summary of the changes in net position for the fiscal year ended September 30, 2014, as compared to fiscal year September 30, 2013.

	Governmental Activities	
	2014	2013
Revenues:		
Program Revenues:		
Charges for Services	\$ 10,929,906	\$ 10,744,917
Operating Grants and Revenues	3,668,734	731,684
Capital Grants and Contributions	1,984,051	2,526,157
General Revenues:		
Property Taxes	40,377,427	39,453,801
Road and Bridge Privilege Taxes	1,981,198	1,851,479
Unrestricted Grants	5,821,917	6,354,770
Other Revenue	2,758,556	1,904,742
Total Revenues	67,521,789	63,567,550
Expenses:		
General Government	14,794,199	16,993,391
Public Safety	17,996,857	20,210,472
Public Works	22,149,666	23,491,158
Health and Welfare	1,260,311	1,212,865
Culture and Recreation	64,671	154,667
Conservation of Natural Resources	269,928	273,418
Economic Development	149,772	161,177
Interest on Long-Term Debt	1,923,522	1,131,811
Total Expenses	58,608,926	63,628,959
Prior period adjustment	(6,546)	(5,710,499)
Increase (Decrease) in Net Position	\$ 8,906,317	\$ (5,771,908)

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 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.

	2014		2013	
	Total Costs	Net Costs	Total Costs	Net Costs
General Government	\$ 14,794,199	\$ (12,397,838)	\$ 16,993,391	\$ (13,821,902)
Public Safety	17,996,857	(14,310,056)	20,210,472	(16,439,929)
Public Works	22,149,666	(12,026,013)	23,491,158	(16,885,178)
Health and Welfare	1,260,311	(884,435)	1,212,865	(758,119)
Culture and Recreation	64,671	(64,671)	154,667	(154,667)
Conservation of Natural Resources	269,928	(269,928)	273,418	(273,418)
Economic Development and Assistance	149,772	(149,772)	161,177	(161,177)
Interest on Long-term Debt	1,923,522	(1,923,522)	1,131,811	(1,131,811)
Total	\$ 58,608,926	\$ (42,026,235)	\$ 63,628,959	\$ (49,626,201)

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 \$62,934,264, a decrease of \$(1,020,034). The primary reasons for this decrease is highlighted in the analysis of governmental activities.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$(104,727).

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Rankin County revised its annual operating budget on several occasions. At the end of the fiscal year, Rankin County amended its budget to reflect actual revenues received and expenditures made.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - As of September 30, 2014, Rankin County's total capital assets were \$358,987,846. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, and leased property under capital leases.

Total accumulated depreciation as of September 30, 2014 was \$190,041,429, including \$5,047,568 of depreciation expense for the year. The balance in total net position was \$113,225,916 at year-end.

Additional information on Rankin County's capital assets can be found in Note 6 on Page 36 of this report.

Debt Administration - At September 30, 2014, Rankin County had \$56,948,203 in long-term debt outstanding. This includes general obligation bonds, other loans, compensated absences and obligations under capital leases. Of this debt, \$5,838,743 is due within one year.

The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County's outstanding debt is significantly below its current limit of 222 million dollars.

LONG-TERM DEBT ANALYSIS

Additional information on Rankin County's long-term debt can be found in Note 11 on pages 40 - 41 of this report.

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 information, please contact the Rankin County Administrator's office at 211 East Government St., Ste. A, Brandon, MS 39042.

FINANCIAL STATEMENTS

RANKIN COUNTY
Statement of Net Position
September 30, 2014

	<u>Exhibit 1</u>
	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 39,394,894
Investments	27,581,683
Accrued interest receivable	192,265
Property tax receivable	38,802,857
Accounts receivable, (net of allowance for uncollectibles of \$1,208,603)	196,749
Fines receivable, (net of allowance for uncollectibles of \$7,165,901)	1,166,542
Capital leases receivable	94,919
Intergovernmental receivables	2,153,216
Capital assets, net	168,946,417
Total Assets	\$ 278,529,542
LIABILITIES	
Claims payable	\$ 866,504
Retainage payable	103,142
Claims and judgments payable	441,657
Intergovernmental payables	3,896,919
Accrued interest payable	605,703
Unearned revenue	38,809,776
Other accrued liabilities	358,338
Other payables-amounts held in custody	950,210
Long-term liabilities	
Due within one year:	
Capital related liabilities	5,838,743
Due in more than one year:	
Capital related liabilities	49,881,758
Non-capital liabilities	1,227,702
Total Liabilities	102,980,452
NET POSITION	
Net investment in capital assets	113,225,916
Restricted:	
Expendable:	
General Government	19,074,569
Debt Service	2,270,321
Public Safety	3,176,630
Public Works	31,448,973
Capital projects	5,136,303
Unrestricted	1,216,378
Total Net Position	\$ 175,549,090

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

RANKIN COUNTY
Statement of Activities
For the Year Ended September 30, 2014

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities					
General government	\$ (14,794,199)	\$ 2,388,987	\$ 7,374	\$ -	\$ (12,397,838)
Public safety	(17,996,857)	342,249	3,245,670	98,882	(14,310,056)
Public works	(22,149,666)	8,198,670	39,814	1,885,169	(12,026,013)
Health and welfare	(1,260,311)	-	375,876	-	(884,435)
Culture and recreation	(64,671)	-	-	-	(64,671)
Conservation of natural resources	(269,928)	-	-	-	(269,928)
Economic development and assistance	(149,772)	-	-	-	(149,772)
Interest on long-term debt	(1,923,522)	-	-	-	(1,923,522)
Total Governmental Activities	\$ (58,608,926)	\$ 10,929,906	\$ 3,668,734	\$ 1,984,051	\$ (42,026,235)
General Revenues:					
Property taxes				\$	40,377,427
Road & bridge privilege taxes					1,981,198
Grants and contributions not restricted to specific programs					5,821,917
Unrestricted investment income					954,157
Miscellaneous					1,804,399
Total General Revenues					50,939,098
Change in Net Position					8,912,863
Net Position - Beginning as previously reported					166,642,773
Prior Period Adjustment					(6,546)
Net Position-Beginning-Restated					166,636,227
Net Position - Ending				\$	175,549,090

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

RANKIN COUNTY
Balance Sheet- Governmental Funds
September 30, 2014

	Major Funds						Exhibit 3
	General Fund	County Unit Road Maintenance Fund	County Unit Bridge and Culvert Fund	Rankin County Bond & Interest Fund	Capital Projects 2008 Bond	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash	\$ 16,708,640	\$ 8,928,373	\$ 4,887,377	\$ 1,570,761	\$ 4,869,630	\$ 2,217,432	\$ 39,182,213
Investments	7,146,222	7,690,004	9,199,938	501,082	-	3,044,437	27,581,683
Accrued interest receivable	49,457	54,286	63,825	3,462	191	21,044	192,265
Property tax receivable	22,370,782	7,148,292	3,315,658	5,357,717	-	610,408	38,802,857
Accounts receivable, net of allowance for uncollectibles of \$1,208,603.	-	-	-	-	-	196,749	196,749
Fines receivable, net of allowance for uncollectibles of \$7,165,901	1,166,542	-	-	-	-	-	1,166,542
Capital lease receivable	-	-	-	-	-	94,919	94,919
Intergovernmental receivables	1,385,467	501,267	-	-	-	266,482	2,153,216
Due from other funds	-	268,087	119,617	194,926	-	27,145	609,775
Total Assets	\$ 48,827,110	\$ 24,590,309	\$ 17,586,415	\$ 7,627,948	\$ 4,869,821	\$ 6,478,616	\$ 109,980,219
LIABILITIES AND FUND BALANCES							
Liabilities:							
Claims Payable	\$ 399,975	\$ 391,459	\$ 37,846	\$ -	\$ -	\$ 37,224	\$ 866,504
Retainage Payable	-	103,142	-	-	-	-	103,142
Amounts held in custody	950,210	-	-	-	-	-	950,210
Intergovernmental payables	3,896,919	-	-	-	-	-	3,896,919
Due to other funds	968,113	-	-	-	-	-	968,113
Unearned Revenue	23,537,324	7,148,292	3,315,658	5,357,717	-	902,076	40,261,067
Total Liabilities	29,752,541	7,642,893	3,353,504	5,357,717	-	939,300	47,045,955
Fund Balances:							
Restricted for Debt Service	-	-	-	2,270,231	-	605,703	2,875,934
Assigned to:							
General Government	-	-	-	-	-	1,221,855	1,221,855
Public Safety	-	-	-	-	-	3,176,630	3,176,630
Public Works	-	16,947,416	14,232,911	-	-	268,646	31,448,973
Capital projects funds	-	-	-	-	4,869,821	266,482	5,136,303
Unassigned	19,074,569	-	-	-	-	-	19,074,569
Total Fund Balances	19,074,569	16,947,416	14,232,911	2,270,231	4,869,821	5,539,316	62,934,264
Total Liabilities and Fund Balances	\$ 48,827,110	\$ 24,590,309	\$ 17,586,415	\$ 7,627,948	\$ 4,869,821	\$ 6,478,616	\$ 109,980,219

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 Position
September 30, 2014

Exhibit 3.1

	Amount
Total Fund Balances - Governmental Funds	\$ 62,934,264
 Amounts reported for governmental activities in the Statement of Net Position are different because:	
1. 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 \$190,041,429.	168,946,417
2. Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,363,291
3. Capital lease receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	88,000
4. Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(57,553,906)
5. 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 the governmental activities in the Statement of Net Position.	(228,976)
 Total Net Position - governmental activities	 <u>\$ 175,549,090</u>

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

RANKIN COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2014

	Major Funds					Exhibit 4	
	General Fund	County Unit Road Maintenance Fund	County Unit Bridge and Culvert Fund	Rankin County Bond & Interest Fund	Capital Projects 2008 Bond	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	\$ 23,389,958	\$ 7,379,562	\$ 3,411,059	\$ 5,560,898	\$ -	\$ 635,950	\$ 40,377,427
Road and bridge privilege taxes	-	1,981,198	-	-	-	-	1,981,198
Licenses, commissions and other revenue	2,333,915	-	-	1,128	-	39,493	2,374,536
Fines and forfeitures	883,423	2,135	-	-	-	-	885,558
Intergovernmental revenues	4,591,188	3,861,856	-	-	-	3,021,658	11,474,702
Charges for services	1,549,094	-	-	-	-	6,062,931	7,612,025
Interest income	275,381	279,994	286,985	15,445	851	95,501	954,157
Miscellaneous revenues	1,529,743	-	-	-	-	309,165	1,838,908
Total Revenues	34,552,702	13,504,745	3,698,044	5,577,471	851	10,164,698	67,498,511
EXPENDITURES							
Current:							
General government	13,164,651	-	-	-	-	-	13,164,651
Public safety	20,263,997	-	-	-	-	5,751,694	26,015,691
Public works	-	10,122,729	3,085,431	-	4,033,980	4,482,295	21,724,435
Health and welfare	1,260,311	-	-	-	-	-	1,260,311
Culture and recreation	53,537	-	-	-	-	11,134	64,671
Conservation of natural resources	266,241	-	-	-	-	-	266,241
Economic development and assistance	146,913	-	-	-	-	-	146,913
Debt service:							
Principal	7,576	1,486,119	121,233	3,485,000	-	2,500,131	7,600,059
Interest	2,173	75,272	8,268	1,787,433	-	78,236	1,951,382
Other debt service costs	-	-	-	16,649	-	-	16,649
Total Expenditures	35,165,399	11,684,120	3,214,932	5,289,082	4,033,980	12,823,490	72,211,003
Excess of Revenues over (under) Expenditures	(612,697)	1,820,625	483,112	288,389	(4,033,129)	(2,658,792)	(4,712,492)
OTHER FINANCING SOURCES (USES)							
Proceeds from issuance of debt	4,000,000	-	-	-	-	-	4,000,000
Proceeds from sale of assets	23,535	161,072	-	-	-	-	184,607
Proceeds from compensation of assets	7,851	-	-	-	-	-	7,851
Transfers in	1,358,004	4,054,879	-	-	4,869,630	3,023,416	13,305,929
Transfers out	(4,881,420)	(4,869,630)	-	-	(4,054,879)	-	(13,805,929)
Total Other Financing Sources and Uses	507,970	(633,679)	-	-	814,751	3,023,416	3,692,458
Net Changes in Fund Balances	(104,727)	1,166,946	483,112	288,389	(3,218,378)	364,624	(1,020,034)
Fund Balance - Beginning	19,179,296	15,780,470	13,749,799	1,981,842	8,088,199	5,174,692	63,954,298
Fund Balances - Ending	\$ 19,074,569	\$ 16,947,416	\$ 14,232,911	\$ 2,270,231	\$ 4,869,821	\$ 5,539,316	\$ 62,934,264

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

RANKIN COUNTY
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, 2014

Exhibit 4-1

	Amount
Net changes in fund balances - governmental funds	\$ (1,020,034)
Amounts reported for governmental activities in the statement of activities are different because:	
1. 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 position differs from the change in fund balances by the amount that capital outlays of 11,419,058 exceeded depreciation of \$5,047,568 in the current period.	6,371,490
2. 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 position differs from the change in fund balances by the amount of the net loss of \$8,509, and the proceeds from the sale and compensation of assets of \$192,458 in the current period.	(200,967)
3. 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.	45,470
4. 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.	12,317
5. 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 position differs from the change in fund balances by the principal collections on the capital leases.	(26,000)
6. Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$7,600,059 exceeded debt proceeds of \$4,000,000.	3,600,059
7. 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 position differs from the change in fund balances by a combination of the following item:	
The amount of decrease in compensated absences	668,551
The amount of increase in accrued interest payable	(84,504)
The amortization of:	
Premiums on refunding bonds	142,958
Discount on refunding bonds	(13,945)
8. 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.	(582,532)
Change in Net Position of Governmental Activities	\$ 8,912,863

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

RANKIN COUNTY
Statement of Net Position - Proprietary Fund
September 30, 2014

Exhibit 5

Governmental Activities

	<u>Internal Service Fund</u>
ASSETS	
Cash	\$ 212,681
Total Assets	<u>\$ 212,681</u>
LIABILITIES	
Claims and judgments payable	\$ 441,657
Total Liabilities	<u>441,657</u>
NET POSITION	
Restricted for health insurance	<u>(228,976)</u>
Total Net Position	<u>\$ (228,976)</u>

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

RANKIN COUNTY
Statement of Revenues, Expenses, and Changes in Fund Net Position-
Proprietary Fund
For the Year Ended September 30, 2014

	<u>Exhibit 6</u>
	<u>Governmental Activities</u>
	Self-Insurance
	Internal Service
	<u>Fund</u>
Operating Revenues	
Premiums	\$ 5,279,603
Total Operating Revenues	<u>5,279,603</u>
Operating Expenses	
Claims payments	6,353,688
Administrative	8,741
Total Operating Expenses	<u>6,362,429</u>
Operating Income (Loss)	<u>(1,082,826)</u>
Nonoperating Revenues (Expenses)	
Interest income	294
Net Nonoperating Revenue (Expenses)	<u>294</u>
Net Income (Loss) Before Capital Contributions, Special and Extraordinary Items and Transfers.	(1,082,532)
Capital Contributions	
Transfers In	500,000
Total Capital Contributions	<u>500,000</u>
Changes in Net Position	(582,532)
Net Position - Beginning	<u>353,556</u>
Net Position Ending	<u>\$ (228,976)</u>

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

RANKIN COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2014

Exhibit 7

	Governmental Activities
	Self-Insurance Internal Service Fund
	Fund
Cash Flows From Operating Activities	
Receipts for premiums	\$ 5,279,603
Payments for claims	(6,025,677)
Payments to administrator for services	(8,741)
Net Cash (Used) by Operating Activities	(754,815)
Cash Flows From Noncapital Financing Activities	
Operating transfers in	500,000
Net Cash Provided by Noncapital Financing Activities	500,000
Cash Flows From Investing Activities	
Interest and dividends on investments	294
Net Cash Provided by Investing Activities	294
Net Decrease in Cash and Cash Equivalents	(254,521)
Cash and Cash Equivalents at Beginning of Year	467,202
Cash and Cash Equivalents at End of Year	\$ 212,681
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating (loss)	\$ (1,082,826)
Changes in assets and liabilities:	
Increase in claims and judgments liability	328,011
Total Adjustments	328,011
Net Cash (Used) by Operating Activities	\$ (754,815)

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

RANKIN COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2014

Exhibit 8
Agency
Funds

ASSETS	
Cash	\$ 1,337,044
Due from other funds	358,338
Total Assets	<u>\$ 1,695,382</u>
LIABILITIES	
Amounts held in custody for others	\$ 1,695,382
Total Liabilities	<u>\$ 1,695,382</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, 2014

(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 Resource Agency
- Cleary Water, Sewer and Fire Protection District
- Evergreen Fire Protection District
- Lake Harbor Fire Protection District
- Reservoir Fire Protection District
- Robinhood Fire Protection District
- Southwest Rankin County Fire Protection District
- Star Fire Protection District
- 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 Collector
- Tax Assessor
- Sheriff

B. Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position 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 Position and Statement of Activities display information concerning the County as a whole. The Statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

RANKIN COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies-continued

B. Basis of Presentation-continued

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

C. 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. Agency funds have no measurement focus, but use the accrual basis of accounting.

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.

RANKIN COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies-continued

C. Measurement Focus and Basis of Accounting-continued

The County reports the following major Governmental Fund:

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

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 revenues sources that are restricted for maintenance and installation of bridges and culverts.

Capital Projects 2008 Bond Fund - This fund is 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.

Rankin County Bond and Interest Fund - These funds are used to account for the accumulation of resources for, and the payment of, general obligation bond principal, interest and related costs.

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 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

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 and dental benefits.

FIDUCIARY FUND TYPES

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

RANKIN COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies-continued

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The cost 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.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
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	*	*

RANKIN COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

(I) Summary of Significant Accounting Policies-continued

H. Capital Assets-continued

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

I. Long-term Liabilities.

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

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

J. Equity Classifications.

Government-wide Financial Statements:

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

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvements of those assets.

Restricted net position – Consists of net position 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 position – All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Assigned fund balance includes amounts that are constrained by the County's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balances are created by the Board of Supervisors pursuant to authorization established by the policy adopted by the County.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

RANKIN COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies-continued

J. Equity Classifications-continued

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

K. Property Tax Revenues.

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

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

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied.

Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

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

RANKIN COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

(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>
An adjustment to correct prior year capital assets	<u>\$(6,546)</u>
Total	<u>\$(6,546)</u>

(3) Deposits and Investments

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2014, was \$40,731,938 and the bank balance was \$41,689,191. The collateral for public entities' deposit in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

Investments:

Investment balances at September 30, 2014, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Money market funds	Less than 1	\$ 929,873	Not rated
Mortgage backed security	Less than 1	589,662	Not rated to AAA
Collateralized mortgage obligations	Less than 1	10,495,585	Not rated to AAA
U.S. government bonds	1 to 10	3,348,759	AA
Municipal bonds	1 to 10	10,195,328	A- to AAA
Corporate bonds	1 to 10	2,022,476	AA to AAA
Total		<u>27,581,683</u>	
Unrealized Gain		<u>(132,892)</u>	
Cost Basis		<u>\$ 27,448,791</u>	

RANKIN COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

(3) Deposits and Investments-continued

Interest Rate Risk: The County does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Mississippi Code Ann. (1972), limits the maturity period of any investment to no more than one year.

Credit Risk: State law limits investments to those authorized by Section 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The County does not have a formal investment policy that would further limit its investment choices or one that address credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. Of the County's \$27,581,563 investment in securities, none of the underlying securities were held by the investment's counterparty on behalf of the County, not in the name of the County.

Concentration of Credit Risk: The County places no limit on the amount the County may invest in any one issuer. More than 5 percent of the County's investments are in Corporate Bonds and Mississippi Municipal Bonds. These investments are 44.29% of the County's total investments.

<u>Investment Type</u>	<u>Fund</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Corporate bonds	Various	\$ 2,022,476	7.33%
Municipal bonds	Various	10,195,328	36.96%
Collateralized mortgage obligations		10,495,585	38.06%
U.S. government bonds		3,348,759	12.14%
Total		<u>\$ 26,062,148</u>	<u>94.49%</u>

(4) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2014:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
County Road Fund	General Fund	\$ 268,087
County Bridge Fund	General Fund	119,617
Other Governmental Funds	General Fund	27,145
County Bond and Interest Fund	General Fund	194,926
Agency Funds	General Fund	358,338
Total		<u>\$ 968,113</u>

The receivables represent the tax revenue collected but not settled until October 2014. All interfund balances are expected to be repaid within one year from the date of the financial statements.

RANKIN COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

(4) Interfund Transactions and Balances-continued

B. Transfers In/Out

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 3,023,416
General Fund	General Fund	1,358,004
Capital Projects 2008 Bond Fund	Road Maintenance Fund	4,869,630
Internal Service Fund	General Fund	500,000
Road Maintenance Fund	Cap Project 2008 Bond Fund	4,054,879
	Total	<u>\$ 13,805,929</u>

The purpose of the transfers was to transfer funds to (1) the Solid Waste Fund, (2) the Capital Projects 2008 Bond Fund, (3) the Pelahatchie Bond Service Fund, and (4) the self-funded self insurance internal service fund to cover deficit balances in those funds.

(5) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2014, consisted of the following:

<u>Description</u>	<u>Amount</u>
<u>Governmental Activities:</u>	
Legislative Tax Credit	\$ 1,198,148
Accounts Receivable - Federal Grants	<u>955,068</u>
Total Governmental Activities	<u>\$ 2,153,216</u>

RANKIN COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

(6) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2014:

Governmental activities:

	Balance Oct. 1, 2013	Additions	Deletions	Prior Period Adjustments	Balance Sept. 30, 2014
Non-depreciable capital assets:					
Land	\$ 2,754,256	\$ -	\$ -	\$ -	\$ 2,754,256
Total non-depreciable capital assets	<u>2,754,256</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,754,256</u>
Depreciable capital assets:					
Infrastructure	241,143,188	2,434,933	-	-	243,578,121
Buildings	71,530,078	2,757,611	-	-	74,287,689
Improvements other than buildings	1,955,871	-	-	-	1,955,871
Mobile equipment	13,961,906	1,701,204	(1,069,877)	15,000	14,608,233
Furniture and equipment	10,139,013	525,310	(310,367)	-	10,353,956
Leased property under capital leases	7,584,553	4,000,000	(134,833)	-	11,449,720
Total depreciable capital assets	<u>346,314,609</u>	<u>11,419,058</u>	<u>(1,515,077)</u>	<u>15,000</u>	<u>356,233,590</u>
Less accumulated depreciation for:					
Infrastructure	(135,824,721)	(2,507,667)	-	-	(138,332,388)
Buildings	(23,685,723)	(1,248,415)	-	-	(24,934,138)
Improvements other than buildings	(1,207,803)	(37,537)	-	-	(1,245,340)
Mobile equipment	(10,143,481)	(918,816)	947,364	(9,411)	(10,124,344)
Furniture and equipment	(8,829,612)	(280,170)	306,071	-	(8,803,711)
Leased property under capital leases	(6,595,085)	(54,963)	60,675	(12,135)	(6,601,508)
Total accumulated depreciation	<u>(186,286,425)</u>	<u>(5,047,568)</u>	<u>1,314,110</u>	<u>(21,546)</u>	<u>(190,041,429)</u>
Total depreciable capital assets, net	<u>160,028,184</u>	<u>6,371,490</u>	<u>(200,967)</u>	<u>(6,546)</u>	<u>166,192,161</u>
Governmental activities capital assets, net	<u>\$ 162,782,440</u>	<u>\$ 6,371,490</u>	<u>\$ (200,967)</u>	<u>\$ (6,546)</u>	<u>\$ 168,946,417</u>

The prior period adjustment was to add an asset and accumulated depreciation that had not been included in prior years.

RANKIN COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

(6) Capital Assets-continued

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities	
General Government	\$ 1,215,567
Public Safety	965,291
Public Works	2,860,164
Conservation of Natural Resources	3,687
Economic Development	2,859
Total Governmental Activities Depreciation Expense	\$ 5,047,568

(7) Claims and Judgments

Risk Financing.

The County had no yearend liability for workers compensation because the County terminated their participation in the risk pool on December 31, 2007, and a commercial insurance company began providing coverage.

The County is exposed to risk of loss relating to employee health, accident and dental coverage. Beginning in 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:

- 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 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 plans 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 \$100,000, and the aggregate policy covers all submitted claims in excess of \$1,000,000.

RANKIN COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

(7) Claims and Judgments-continued

Claims expenditure 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, 2014, the amount of these liabilities was \$441,657. An analysis of claims activities is presented below:

	Beginning of Fiscal Year Liability	Unpaid Claims and Changes in Estimate	Claim Payments	Adjustments	Balance at Fiscal Year End
2012-2013	\$ 212,363	\$ 4,921,765	\$(5,020,482)	\$ -	\$ 113,646
2013-2014	113,646	6,681,699	(6,353,688)	-	441,657

(8) Operating Leases

As Lessor:

The County receives income from property it leases under a non-cancellable operating lease. Total income from the lease was \$140,000 for the year ended September 30, 2014. The future minimum lease receivable for the lease is as follows:

Year Ended September 30:	Amount
2015	\$ 140,000
2016	140,000
2017	140,000
2018	140,000
2019	140,000
2020-2024	700,000
2025-2027	420,000
Total Minimum Payments Required	<u>\$ 1,820,000</u>

RANKIN COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

(9) Capital Leases

As Lessor:

The County leases the following property with varying terms and options as of September 30, 2014:

<u>Class of Property</u>	<u>Amount</u>
Water Improvements	\$ 400,000
Total	\$ 400,000

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2014, are as follows:

	<u>Principal</u>	<u>Interest</u>
Year Ending September 30:		
2015	\$ 28,000	\$ 3,793
2016	29,000	2,332
2017	31,000	794
Total	\$ 88,000	\$ 6,919

As Lessee:

The County is obligated for the following assets acquired through capital leases as of September 30, 2014:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Leased Property under Capital Leases	\$ 11,449,720
Less: Accumulated depreciation	(6,601,508)
Leased Property Under Capital Leases	\$ 4,848,212

The following is a schedule by years of the total payments due as of September 30, 2014:

	<u>Government Activities</u>	
	<u>Principal</u>	<u>Interest</u>
Year Ending September 30:		
2015	\$ 693,254	\$ 67,425
2016	505,556	239,672
2017	415,752	113,333
2018	378,689	84,638
2019	384,871	70,748
2020-2024	2,069,884	208,211
2025	444,767	10,852
Total	\$ 4,892,773	\$ 794,879

RANKIN COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

(10) Other Postemployment Benefits.

The Rankin County Board of Supervisors administers the County's health insurance plan which is authorized by Sections 25-15-101 et seq., Miss. Code Ann. (1972). The County's health insurance plan may be amended by the Rankin County Board of Supervisors. The County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment health care benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. However, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The County does not issue a publicly available financial report for the Plan.

(11) Long-term Debt

Debt outstanding as of September 30, 2014, consisted of the following:

Description and Purpose	Amount Outstan	Interest Rate	Final Maturity Date
<u>Governmental Activities:</u>			
A. General Obligation Bonds			
2009 GO Bond	\$ 18,050,000	3.5/3.875%	6/1/2022
2008 Special Obligation Bond	7,020,000	3.78%	12/1/2023
2005 MS Public Improvement	3,320,000	2.75/4.125%	9/1/2021
2005 Refunding	765,000	2.90/4.00%	9/1/2015
2005 Series 2005A	2,530,000	2.80/4.00%	7/1/2020
2012 Refunding	8,940,000	2.00%	9/1/2021
2013 Refunding	9,060,000	2.00/3.10%	12/1/2023
Total General Obligation Bonds	<u>\$ 49,685,000</u>		
B. Capital Leases:			
911 Equipment	\$ 4,000,000	2.44%	3/4/2025
5 Case Backhoes	207,068	2.06%	8/23/2016
Caterpillar Wheel Loaders (2)	164,968	2.71%	3/31/2015
John Deere Motor Grader	137,538	2.71%	5/2/2015
John Deere Motor Graders (2)	275,076	2.71%	5/2/2015
Fire Truck	79,237	2.06%	10/10/2016
Copier	28,886	2.22%	1/1/2018
Total Capital Leases	<u>\$ 4,892,773</u>		
C. Other Loans:			
Interlocal Agreement Pearl	\$ 65,279	4.46/5.32%	5/1/2018
Total Other Loans	<u>\$ 65,279</u>		

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

RANKIN COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

(11) Long-term Debt-continued

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2015	\$ 5,130,000	\$ 1,779,273	\$ 15,489	\$ 3,419
2016	5,400,000	1,637,625	16,562	2,621
2017	5,460,000	1,453,775	16,597	1,753
2018	5,465,000	1,302,075	16,631	885
2019	6,030,000	1,144,575	-	-
2020-2024	22,200,000	2,888,031	-	-
	<u>\$ 49,685,000</u>	<u>\$ 10,205,354</u>	<u>\$ 65,279</u>	<u>\$ 8,678</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 county issues bonds are used to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2014, the amount of outstanding debt was equal to 3.35% of the latest property assessments.

	Balance Oct. 1, 2013	Additions	Reductions	Balance Sept. 30, 2014	Amount Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 1,896,253	\$ -	\$ (668,551)	\$ 1,227,702	\$ -
General Obligation Bonds	54,495,000	-	(4,810,000)	49,685,000	5,130,000
Less:					
Discount amount on	(86,070)	-	9,060	(77,010)	-
Discount amount on	(44,372)	-	4,885	(39,487)	-
Add:					
Premium	874,716	-	(92,075)	782,641	-
Premium	462,188	-	(50,883)	411,305	-
Capital Leases	3,667,375	4,000,000	(2,774,602)	4,892,773	693,254
Other Loans	80,736	-	(15,457)	65,279	15,489
Total	<u>\$ 61,345,826</u>	<u>\$ 4,000,000</u>	<u>\$ (8,397,623)</u>	<u>\$ 56,948,203</u>	<u>\$ 5,838,743</u>

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

RANKIN COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

(12) 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 issued general obligation bonds to provide funds for constructing and improving capital facilities of 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 the remaining general obligation debt contingency outstanding at year end is as follows:

Description	Balance at Sept. 30, 2014
Pelahatchie Water Improvement G.O. Bonds	\$ 88,000
Total	\$ 88,000

As of September 30, 2014, 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.

On October 1, 2003, 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 Promenade, 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 as the entirety of the principal, interest, fees, and expenses relating to the bonds are paid in full.

RANKIN COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

(12) Contingencies-continued

On May 31, 2004, 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 Lakewood Commons, 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.

On December 6, 2004, the Rankin County Board of Supervisors entered into an agreement with the City of Pearl to pledge to the City for a partial payment of a loan to the City to be used to purchase land for a baseball stadium, site work and parking lot construction. The amount pledged is \$320,000 a year for twenty years.

On December 6, 2004, the Rankin County Board of Supervisors entered into an agreement with the City of Pearl to pledge to the City, for payment of a portion of the principal, interest, fees, and expenses of the bonds for the Bass Pro Shops/Bloomfield Project, the avails of the added incremental increase in county real and personal property taxes from the Bass Pro portion of the project. The terms of this agreement will not exceed twenty years.

(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 \$1,661,421 in fiscal year 2014. 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 2014.

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 \$25,326 for support of the district in fiscal year 2014.

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 \$2,000,047 for maintenance and \$800,059 for improvement of the college in fiscal year 2014.

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 2014.

RANKIN COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

(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. At September 30, 2014, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2014 was 15.75% 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, 2014, 2013, and 2012, were \$2,722,190, \$2,474,300 and \$2,183,339 respectively, equal to the required contributions for each year.

(16) Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Activities date require disclosure in the accompanying notes. Management of Rankin County evaluated the activity of the County through May 31, 2015, and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements:

November 17, 2014 – approved Sheriff's Department to purchase 2 used Chevy Tahoes from Missouri Highway Patrol with budget funds from Sheriff's Department.

April 16, 2015 – approved quote from Trustmark on lease purchase of road equipment; 2 Case wheel loaders at 1.87% and 2 John Deere motor graders at 1.83%.

May 4, 2015 – approved Sheriff's Department to purchase 3 used Chevy Tahoes from Missouri Highway Patrol with budget funds from Sheriff's Department. Approved lease purchase in the amount of \$739,400 for 6 Mack Tandem dump trucks at 1.83% from Trustmark Bank.

REQUIRED SUPPLEMENTARY INFORMATION

RANKIN COUNTY
Budgetary Comparison Schedule-
Budget and Actual (Non-GAAP Basis) General Fund
For Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 22,627,481	\$ 23,375,667	\$ 23,375,667	\$ -
Licenses, commissions and other revenue	1,908,400	2,182,679	2,182,679	-
Fines and forfeitures	1,021,000	888,041	888,041	-
Intergovernmental revenues	4,380,960	4,390,541	4,390,541	-
Charges for services	1,770,000	1,549,095	1,549,095	-
Interest income	110,000	197,355	197,355	-
Miscellaneous revenues	1,418,250	1,574,203	1,574,203	-
Total Revenues	33,236,091	34,157,581	34,157,581	-
EXPENDITURES				
Current:				
General government	13,958,252	13,130,312	13,130,312	-
Public safety	16,968,836	16,234,613	16,234,613	-
Health and welfare	1,280,783	1,265,680	1,265,680	-
Culture and recreation	44,800	48,456	48,456	-
Conservation of natural resources	327,676	266,580	266,580	-
Economic development and assistance	50,326	172,239	172,239	-
Capital projects	400,000	-	-	-
Debt Service:				
Principal	-	8,976	8,976	-
Interest	-	773	773	-
Total Expenditures	33,030,673	31,127,629	31,127,629	-
Excess of Revenues over (under) Expenditures	205,418	3,029,952	3,029,952	-
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	31,386	31,386	-
Transfers in	1,350,000	1,358,004	1,358,004	-
Transfers out	(1,880,000)	(4,881,420)	(4,881,420)	-
Total Other Financing Sources and Uses	(530,000)	(3,492,030)	(3,492,030)	-
Net Change in Fund Balance	(324,582)	(462,078)	(462,078)	-
Fund Balances - Beginning	15,120,696	18,028,837	13,296,133	(4,732,704)
Fund Balances - Ending	\$ 14,796,114	\$ 17,566,759	\$ 12,834,055	\$ (4,732,704)

The accompanying notes to the required supplemental information are an integral part of this schedule.

RANKIN COUNTY
Budgetary Comparison Schedule-
Budget and Actual (Non-GAAP Basis)
County Unit Road Maintenance Fund
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 7,157,795	\$ 7,368,167	\$ 7,368,167	\$ -
Licenses, Commissions, and other Revenue	1,800	2,135	2,135	-
Road and Bridge Privilege Taxes	1,990,000	1,981,199	1,981,199	-
Intergovernmental Revenues	1,048,200	5,885,746	5,885,746	-
Changes for Services	-	1,500,000	-	(1,500,000)
Interest Income	180,000	323,970	323,970	-
Miscellaneous Revenues	16,000	125,108	125,108	-
Total Revenues	<u>10,393,795</u>	<u>17,186,325</u>	<u>15,686,325</u>	<u>(1,500,000)</u>
EXPENDITURES				
Current:				
Public Works	8,518,428	10,535,101	10,340,362	194,739
Debt Service:				
Principal	1,875,367	1,486,119	1,486,119	-
Interest	-	75,272	75,272	-
Total Expenditures	<u>10,393,795</u>	<u>12,096,492</u>	<u>11,901,753</u>	<u>194,739</u>
Excess of Revenues Over (Under)				
Expenditures	-	5,089,833	3,784,572	(1,305,261)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	611,125	611,125	-
Proceeds from sale of assets	-	161,073	161,073	-
Transfers out	-	(4,869,630)	(4,869,630)	-
Total Other Financing Sources and Uses	<u>-</u>	<u>(4,097,432)</u>	<u>(4,097,432)</u>	<u>-</u>
Net Change in Fund Balance	<u>-</u>	<u>992,401</u>	<u>(312,860)</u>	<u>(1,305,261)</u>
Fund Balances - Beginning	10,000,000	15,021,155	16,487,749	1,466,594
Fund Balances - Ending	<u>\$ 10,000,000</u>	<u>\$ 16,013,556</u>	<u>\$ 16,174,889</u>	<u>\$ 161,333</u>

The accompanying notes to the required supplemental information are an integral part of this schedule.

RANKIN COUNTY
Budgetary Comparison Schedule-
Budget and Actual (Non-GAAP Basis)
County Unit Bridge and Culvert Fund
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 3,283,928	\$ 3,383,115	\$ 3,383,115	\$ -
Licenses, Commissions, and Other Revenue	450	692	692	
Intergovernmental Revenues	80,000	-	-	-
Interest Income	100,000	199,525	199,525	-
Miscellaneous income	-	2,220	2,220	-
Total Revenues	3,464,378	3,585,552	3,585,552	-
EXPENDITURES				
Current:				
Public Works	5,065,767	3,104,902	3,104,902	-
Debt Service:				
Principal	129,504	121,233	121,233	-
Interest	-	8,268	8,268	-
Total Expenditures	5,195,271	3,234,403	3,234,403	-
Excess of Revenues Over (Under)				
Expenditures	(1,730,893)	351,149	351,149	-
Fund Balances - Beginning	13,700,000	13,536,228	14,354,696	818,468
Fund Balances - Ending	<u>\$ 11,969,107</u>	<u>\$ 13,887,377</u>	<u>\$ 14,705,845</u>	<u>\$ 818,468</u>

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

RANKIN COUNTY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2014

a. Budgetary Information.

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

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

b. Basis of Presentation.

The Budgetary Comparison Schedule- Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplementary 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 Type</u>		
	County General Fund	County Unit Road Maintenance Fund	County Unit Bridge and Culvert Fund
Budget (Cash Basis)	\$ (462,078)	\$ (312,860)	\$ 351,149
Increase (Decrease)	-	-	-
Net Adjustments for Revenue Accruals	757,326	1,974,407	169,809
Net Adjustments for Expenditure Accruals	(399,975)	(494,601)	(37,846)
GAAP Basis	<u>\$ (104,727)</u>	<u>\$ 1,166,946</u>	<u>\$ 483,112</u>

SUPPLEMENTAL INFORMATION

RANKIN COUNTY
Schedule of Expenditure of Federal Awards
For the Year Ended September 30, 2014

			<u>Schedule 1</u>
	<u>Federal</u>	<u>Pass-through Entity</u>	<u>Federal</u>
	<u>CFDA</u>	<u>Identifying Number</u>	<u>Expenditures</u>
	<u>Number</u>		
<u>U.S. Department of Agriculture</u>			
Passed-through the State Agriculture Department:			
Specialty Crop Block Grant Program	10.170		\$ 17,152
Total U.S. Department of Agriculture			<u>17,152</u>
<u>U.S. Department of Justice</u>			
Passed-through the Mississippi Department of Public Safety:			
Juvenile Accountability Block Grant	16.523	13DC 1611	127,875
Juvenile Accountability Block Grant	16.523		34,186
Total U.S. Department of Justice			<u>162,061</u>
<u>U.S. Department of Transportation</u>			
Passed-through the Mississippi Department of Transportation:			
Highway Planning and Construction *	20.205	HPP-7331-00(005)/ 104626801	1,326,526
Passed-through the Mississippi Office of Highway Safety			
Alcohol Open Container Requirement	20.607	14MD-161-1	71,970
Total U.S. Department of Transportation			<u>1,398,496</u>
<u>Executive Office of the President</u>			
Passed-through Mississippi Emergency Management Agency:			
High Intensity Drug Trafficking Areas Program	95.001	G13GC0003A	53,361
Total Executive Office of the President			<u>53,361</u>
<u>U.S. Department of Homeland Security</u>			
Passed-through Mississippi Emergency Management Agency:			
Hazard Mitigation Grant *	97.039	DR-1604-MS-0209	678,747
Hazard Mitigation Grant *	97.039	DR-1604-MS-0459	2,066,816
Emergency Management Performance Grant	97.042	13 EMPG	142,877
Total Department of Homeland Security			<u>2,888,440</u>
Total Expenditures of Federal Awards			<u>\$ 4,519,510</u>

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Government and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

* Denotes major Federal award program.

OTHER INFORMATION

RANKIN COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2014

<u>Name</u>	<u>Position</u>	<u>Bond Amount</u>
Jared Morrison	Supervisor	\$ 100,000
Wood Brown	Supervisor	100,000
Rodney Keith	Supervisor	100,000
Greg Wilcox	Supervisor	100,000
Walter Johnson	Supervisor	100,000
Jay Bishop	Supervisor	100,000
Rebecca Boyd	Circuit Clerk	100,000
Judy Fortenberry	Tax Collector	100,000
John Sullivan	Tax Assessor	50,000
Larry Swales	Chancery Clerk	100,000
Laura Oster	Comptroller/County Administrator	100,000
Bryan Bailey	Sheriff	100,000
Barry Bean	Constable	50,000
Brad Patridge	Constable	50,000
Ernest Brown	Constable	50,000
Gary Windham	Constable	50,000
Richard Redfern	Judge	50,000
Ken Fairly	Judge	50,000
John Shirley	Judge	50,000
Joshua McCrory	Judge	50,000
Jessica Floyd Massey	Justice Court Clerk	50,000
Irvin L. Westbrook	Road Manager	50,000
Bridgett Herring	Purchase Clerk	75,000
Katie Burkett	Asst. Purchase Clerk	50,000
Ann Bowman	Receiving Clerk	75,000
Mitsi Tigrett	Deputy Clerk	50,000
Jessica Flood	Deputy Clerk	50,000
Brittany Miller	Deputy Clerk	50,000
Philoniece Myers	Deputy Clerk	50,000
Annie Cain	Deputy Clerk	50,000
Cindy Edwards	Deputy Clerk	50,000
Shanna McLaurin	Deputy Clerk	50,000
Lynn Means	Deputy Clerk	50,000
David L. Morrow	Deputy Clerk	50,000
Leslie Denham	Clerk	50,000

SPECIAL REPORTS

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

May 31, 2015

Members of the Board of Supervisors
Rankin County, Mississippi

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Rankin County, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 31, 2015. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The report is qualified on the governmental activities because the County did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rankin County, Mississippi's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2014-001, 2014-002, and 2014-003 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rankin County, Mississippi's financial statements are free from 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*.

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

This report is intended solely for the information and use of management, the Board of Supervisors, 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.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

May 31, 2015

Members of the Board of Supervisors
Rankin County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Rankin County, Mississippi's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended September 30, 2014. Rankin County, Mississippi's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Rankin County, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination on Rankin County, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, Rankin County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

The management of Rankin County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rankin County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

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

May 31, 2015

Members of the Board of Supervisors
Rankin County, Mississippi

We have examined Rankin County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2014. The Board of Supervisors of Rankin County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of 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 current 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 for the year ended September 30, 2014.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of 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.

Herzog CPA Company, PLLC
Herzog CPA Company, PLLC

RANKIN COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2014

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other than the Lowest Bid</u>
4/15/2014	Upgrade of Tower Control Panels in Old Jail	\$ 150,500	Prime Logic, Inc.	\$ 114,000	Lowest Bid rejected for not meeting minimum specifications.

RANKIN COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2014

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
5/1/2014	Siren System Control	\$ 40,848	Jackson Communication	Threat to public safety
8/20/2014	Siren System Controller	14,500	Jackson Communication	Threat to public safety

RANKIN COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2014

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
3/3/2014	Lucas Chest Compression System	\$ 18,812	Physio Control
3/3/2014	Life Pak Devices	79,991	Physio Control

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

May 31, 2015

Members of the Board of Supervisors
Rankin County, Mississippi

In planning and performing our audit of the financial statements of Rankin County, Mississippi for the year ended September 30, 2014, we considered Rankin County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Rankin County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated May 31, 2015, on the financial statement of Rankin County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

Herzog CPA Company, PLLC

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**RANKIN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

RANKIN COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Section 1: Summary of Auditors' Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditors' report issued on the primary government financial statements: | |
| | Governmental Activities | Qualified |
| | Aggregate Discretely Presented Component Units | Adverse |
| | General Fund | Unmodified |
| | County Unit Road Maintenance Fund | Unmodified |
| | County Unit Bridge and Culvert Fund | Unmodified |
| | Capital Projects 2008 Bond Fund | Unmodified |
| | Rankin County Bond & Interest Fund | Unmodified |
| | Aggregate remaining fund information | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | Yes |
| | b. A significant deficiency 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. Significant deficiency identified that is not considered to be a material weakness? | None reported |
| 5. | Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| 6. | Any audit finding reported as required by Section .510(a) Of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | Highway Planning and Construction | CFDA# 20.205 |
| | Hazard Mitigation Grant | CFDA# 97.039 |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section .315(b) of OMB Circular A-133? | No |

RANKIN COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Section 2: Financial Statement Findings

Board of Supervisors.

2014-001. Finding - Board of Supervisors

Significant Deficiency - Material Weakness.

As reported in the prior year's audit report, generally accepted accounting principles require the financial data for the County's component units to be reported with the financial data of the County's primary government, unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The financial statements do not include the financial data for all of the County's legally separate component units. Only three of the component units could provide audited financial statements for the period ended September 30, 2014. The other component units of the County do not have audits of their financial statements at year end. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units with financial data not included in this report.

Recommendation: The Board of Supervisors should require that all of its component units provide the financial data for its discretely presented component units for the inclusion in the County's financial statements.

Board of Supervisor's Response: It would be cost prohibitive to require these small component units to have an audited financial statement prepared.

2014-002. Finding - Board of Supervisors

Significant Deficiency - Material Weakness.

As reported in the prior year's audit report, a critical aspect of effective financial management is the maintenance of accurate accounting records. Management does not have personnel that possess the necessary qualifications and training to prepare financial statements in accordance with generally accepted accounting principles. Therefore, since the County personnel lacked the skills and training to apply generally accepted accounting principles in recording the entity's financial transactions and adequate controls in place over the recording and reporting of financial records, the risk increases that inaccurate information may be reported and increases the possibility of the loss or misappropriation of public funds.

Recommendation: The Board of Supervisors should establish adequate controls and procedures to ensure that the financial transactions are recorded, presented and disclosed in accordance with generally accepted accounting principles. While it is the auditors' responsibility to perform the annual audit, management of Rankin County is charged with the responsibility for preparing its financial statements in accordance with generally accepted accounting principles.

Board of Supervisor's Response: The County is looking into the possibility of hiring someone to prepare the financials in the future.

RANKIN COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

2014-003. Finding - Board of Supervisors

Significant Deficiency - Material Weakness.

The investments account was not properly recorded at September 30, 2014.

Recommendation:

The Board of Supervisors should establish adequate controls and procedures to ensure that the investment transactions are properly recorded in accordance with generally accepted accounting principles. The Board should have the investment firm prepare a monthly reconciliation of all transactions within the investment accounts. The County should then record all transactions included on the monthly reconciliation.

Board of Supervisor's Response:

The County will contact the investment firm and implement the above recommendation.

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.