



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

**PHIL BRYANT
State Auditor**

**RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division**

RANKIN COUNTY, MISSISSIPPI

**Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2003**

RANKIN COUNTY

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RANKIN COUNTY

FINANCIAL SECTION

RANKIN COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Rankin County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Rankin County, Mississippi, as of and for the year ended September 30, 2003, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government of Rankin County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Rankin County, Mississippi, as of September 30, 2003, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the primary government of Rankin County, Mississippi, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, Rankin County, Mississippi, implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective October 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2004, on our consideration of Rankin County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

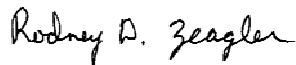
Rankin County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedule and corresponding notes on pages 38 through 44 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

June 30, 2004

[Except for Note 17, as to which the date is February 1, 2005]

RANKIN COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

RANKIN COUNTY
Statement of Net Assets
September 30, 2003

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and investments	\$ 39,660,665		39,660,665
Property tax receivable	23,538,595		23,538,595
Accounts receivable, (net of allowance for uncollectibles of \$961,964)	412,271		412,271
Fines receivable, (net of allowance for uncollectibles of \$1,588,719)	606,426		606,426
Capital leases receivable	5,065,627		5,065,627
Intergovernmental receivables	896,942		896,942
Other receivables	7,256		7,256
Capital assets, net	128,503,802	174,864	128,678,666
Total Assets	198,691,584	174,864	198,866,448
LIABILITIES			
Claims payable	1,423,657	5,234	1,428,891
Intergovernmental payables	1,948,362		1,948,362
Deferred revenue	28,604,222		28,604,222
Long-term liabilities			
Due within one year:			
Capital related debt	2,641,714		2,641,714
Due in more than one year:			
Capital related debt	25,929,935		25,929,935
Non-capital debt	1,453,842	2,300	1,456,142
Total Liabilities	62,001,732	7,534	62,009,266
NET ASSETS			
Invested in capital assets, net of related debt	99,932,153	174,864	100,107,017
Restricted net assets:			
Expendable:			
General government	2,241,954		2,241,954
Debt service	782,184		782,184
Public safety	1,595,952		1,595,952
Public works	21,093,124		21,093,124
Economic development	106,500		106,500
Capital projects	4,039		4,039
Unemployment compensation	104,779		104,779
Unrestricted	10,829,167	(7,534)	10,821,633
Total Net Assets	\$ 136,689,852	167,330	136,857,182

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

RANKIN COUNTY
Statement of Activities
For the Year Ended September 30, 2003

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 13,225,740	2,389,814	25,739		(10,810,187)		(10,810,187)
Public safety	15,446,556	4,105,691	613,239		(10,727,626)		(10,727,626)
Public works	14,880,241	2,276,693	1,337,523	165,026	(11,100,999)		(11,100,999)
Health and welfare	940,076		286,294		(653,782)		(653,782)
Culture and recreation	1,289,684				(1,289,684)		(1,289,684)
Conservation of natural resources	552,825				(552,825)		(552,825)
Economic development and assistance	673,039				(673,039)		(673,039)
Interest on long-term debt	1,443,597				(1,443,597)		(1,443,597)
Total Governmental Activities	<u>48,451,758</u>	<u>8,772,198</u>	<u>2,262,795</u>	<u>165,026</u>	<u>(37,251,739)</u>	<u>0</u>	<u>(37,251,739)</u>
Business-type activities:							
Pelahatchie Lake	<u>103,408</u>	<u>55,951</u>	<u>1,318</u>	<u>0</u>	<u>0</u>	<u>(46,139)</u>	<u>(46,139)</u>
Total Primary Government	<u>\$ 48,555,166</u>	<u>8,828,149</u>	<u>2,264,113</u>	<u>165,026</u>	<u>(37,251,739)</u>	<u>(46,139)</u>	<u>(37,297,878)</u>
General revenues:							
Property taxes					\$ 23,244,824		23,244,824
Road & bridge privilege taxes					1,617,269		1,617,269
Grants and contributions not restricted to specific programs					3,162,352		3,162,352
Unrestricted investment income					1,042,471		1,042,471
Miscellaneous					1,464,114		1,464,114
Other financing source - lease principal payments					466,000		466,000
Transfers					(32,933)	32,933	
Total General Revenues and Transfers					<u>30,964,097</u>	<u>32,933</u>	<u>30,997,030</u>
Changes in Net Assets					<u>(6,287,642)</u>	<u>(13,206)</u>	<u>(6,300,848)</u>
Net Assets - Beginning, as restated					<u>142,977,494</u>	<u>180,536</u>	<u>143,158,030</u>
Net Assets - Ending					<u>\$ 136,689,852</u>	<u>167,330</u>	<u>136,857,182</u>

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

RANKIN COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2003

Exhibit 3

	Major Funds						Total Governmental Funds
	General Fund	County Unit Road Maintenance Fund	County Unit Bridge and Culvert Fund	Trilogy Bond I&S Fund	Capital Projects/ 2000 Road Fund	Other Governmental Funds	
ASSETS							
Cash and investments	\$ 13,087,748	6,696,740	4,795,748	106,500	8,869,930	6,103,999	39,660,665
Property tax receivable	14,351,100	4,829,753	3,629,400			728,342	23,538,595
Accounts receivable, (net of allowance for uncollectibles of \$961,964)						412,271	412,271
Fines receivable, (net of allowance for uncollectibles of \$1,588,719)	606,426						606,426
Capital lease receivable				4,418,499		647,128	5,065,627
Intergovernmental receivables	886,966					9,976	896,942
Other receivables	7,256						7,256
Due from other funds		217,818	78,052			14,012	309,882
Total Assets	\$ 28,939,496	11,744,311	8,503,200	4,524,999	8,869,930	7,915,728	70,497,664
LIABILITIES AND FUND BALANCES							
Liabilities:							
Claims payable	\$ 469,390	268,141	205,707		169,623	310,796	1,423,657
Intergovernmental payables	1,861,094						1,861,094
Due to other funds	397,150						397,150
Deferred revenue	14,957,526	4,829,753	3,629,400	4,418,499		1,797,717	29,632,895
Total Liabilities	17,685,160	5,097,894	3,835,107	4,418,499	169,623	2,108,513	33,314,796
Fund balances:							
Reserved for:							
Debt Service						782,184	782,184
Unemployment compensation						104,779	104,779
Unreserved, reported in:							
General Fund	11,254,336						11,254,336
Special Revenue Funds		6,646,417	4,668,093	106,500	8,700,307	4,916,213	25,037,530
Capital Project Funds						4,039	4,039
Total Fund Balances	11,254,336	6,646,417	4,668,093	106,500	8,700,307	5,807,215	37,182,868
Total Liabilities and Fund Balances	\$ 28,939,496	11,744,311	8,503,200	4,524,999	8,869,930	7,915,728	70,497,664

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

RANKIN COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2003

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 37,182,868
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds net of accumulated depreciation of \$123,480,041.	128,503,802
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,028,673
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(30,025,491)</u>
Total Net Assets - Governmental Activities	<u>\$ 136,689,852</u>

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

RANKIN COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2003

	Major Funds						Total Governmental Funds
	General Fund	County Unit Road Maintenance Fund	County Unit Bridge and Culvert Fund	Trilogy Bond I&S Fund	Capital Projects/ 2000 Road Fund	Other Governmental Funds	
REVENUES							
Property taxes	\$ 14,174,837	4,801,605	3,545,271			723,111	23,244,824
Road and bridge privilege taxes		1,617,269					1,617,269
Licenses, commissions and other revenue	1,673,498	1,389	754			41,850	1,717,491
Fines and forfeitures	2,741,056						2,741,056
Intergovernmental revenues	3,086,143	1,135,670				1,358,384	5,580,197
Charges for services	1,033,562					2,867,818	3,901,380
Interest income	718,999				178,487	144,985	1,042,471
Miscellaneous revenues	901,677	254,651	7,496			300,290	1,464,114
Total Revenues	24,329,772	7,810,584	3,553,521	0	178,487	5,436,438	41,308,802
EXPENDITURES							
Current:							
General government	11,390,592					1,287	11,391,879
Public safety	10,766,216					1,868,047	12,634,263
Public works	32,046	4,999,795	2,049,686		2,942,929	3,991,858	14,016,314
Health and welfare	940,076						940,076
Culture and recreation	1,263,783					25,901	1,289,684
Conservation of natural resources	262,551					290,274	552,825
Economic development and assistance	44,421			435,000		193,618	673,039
Debt service:							
Principal	712,532	1,052,814	221,323			356,637	2,343,306
Interest	497,797	785,111	10,388			150,301	1,443,597
Total Expenditures	25,910,014	6,837,720	2,281,397	435,000	2,942,929	6,877,923	45,284,983
Excess of Revenues over (under) Expenditures	(1,580,242)	972,864	1,272,124	(435,000)	(2,764,442)	(1,441,485)	(3,976,181)

OTHER FINANCING SOURCES (USES)							
Long-term capital debt issued	2,474,110	748,938				856,427	4,079,475
Proceeds from sale of capital assets	5,725	216,699					222,424
Compensation for loss of capital assets	14,386					500	14,886
Lease principal payments				435,000		31,000	466,000
Transfers in	240,000					253,706	493,706
Transfers out	(75,921)		(210,718)			(240,000)	(526,639)
Total Other Financing Sources and Uses	<u>2,658,300</u>	<u>965,637</u>	<u>(210,718)</u>	<u>435,000</u>	<u>0</u>	<u>901,633</u>	<u>4,749,852</u>
Net Changes in Fund Balance	<u>1,078,058</u>	<u>1,938,501</u>	<u>1,061,406</u>	<u>0</u>	<u>(2,764,442)</u>	<u>(539,852)</u>	<u>773,671</u>
Fund Balance - Beginning, as restated	<u>10,176,278</u>	<u>4,707,916</u>	<u>3,606,687</u>	<u>106,500</u>	<u>11,464,749</u>	<u>6,347,067</u>	<u>36,409,197</u>
Fund Balance - Ending	<u>\$ 11,254,336</u>	<u>6,646,417</u>	<u>4,668,093</u>	<u>106,500</u>	<u>8,700,307</u>	<u>5,807,215</u>	<u>37,182,868</u>

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, 2003

Exhibit 4-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 773,671
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$4,552,546 exceeded of depreciation \$9,465,967 in the current period.	(4,913,421)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources and loss from the sale of capital assets decreases financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the loss of \$730,094 and the proceeds from the sale of \$237,310 in the current period.	(967,404)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$2,343,306 exceeded debt proceeds of \$4,079,475.	(1,736,169)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Total amount of decrease in compensated absences.	133,434
Difference in modified accrual and full accrual revenues.	<u>422,247</u>
Change in Net Assets of Governmental Activities	\$ <u><u>(6,287,642)</u></u>

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

RANKIN COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2003

Exhibit 5

	<u>Business-type Activities - Enterprise Fund</u>	<u>Pelahatchie Lake Fund</u>
ASSETS		
Noncurrent assets:		
Capital assets, net	\$	<u>174,864</u>
LIABILITIES		
Current liabilities:		
Claims payable		<u>5,234</u>
Noncurrent liabilities:		
Non-capital debt:		
Compensated absences payable		<u>2,300</u>
NET ASSETS		
Invested in capital assets, net of related debt		174,864
Unrestricted		<u>(7,534)</u>
Total Net Assets	\$	<u><u>167,330</u></u>

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

RANKIN COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended September 30, 2003

	Business-type Activities - Enterprise Fund
	<u>Pelahatchie Lake Fund</u>
Operating Revenues	
Charges for sales	\$ 55,951
Miscellaneous	1,318
Total Operating Revenues	<u>57,269</u>
Operating Expenses	
Cost of sales	97,736
Depreciation expense	5,672
Total Operating Expenses	<u>103,408</u>
Operating Income (Loss)	<u>(46,139)</u>
Net Income (Loss) Before Transfers	(46,139)
Transfers in	<u>32,933</u>
Changes in Net Assets	(13,206)
Net Assets - Beginning, as restated	<u>180,536</u>
Net Assets - Ending	<u>\$ 167,330</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, 2003

Exhibit 7

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Pelahatchie Lake Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 55,951
Payments to suppliers	(60,222)
Payments to employees	(29,980)
Other operating cash receipts	1,318
Net Cash Provided (Used) by Operating Activities	<u>(32,933)</u>
Cash Flows From Noncapital Financing Activities	
Cash received from other funds:	
Operating transfers in	32,933
Net Cash Provided (Used) by Noncapital Financing Activities	<u>32,933</u>
Net Increase (Decrease) in Cash and Cash Equivalents	0
Cash and Cash Equivalents at Beginning of Year	0
Cash and Cash Equivalents at End of Year	<u>\$ 0</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (46,139)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	5,672
Changes in assets and liabilities:	
Increase (decrease) in claims payable	5,234
Increase (decrease) in compensated absences liability	2,300
Total Adjustments	<u>13,206</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (32,933)</u>

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

RANKIN COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2003

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 1,470,094
Due from other funds	<u>87,268</u>
Total Assets	<u><u>\$ 1,557,362</u></u>
LIABILITIES	
Amounts held in custody for others	\$ 311,137
Intergovernmental payables	<u>1,246,225</u>
Total Liabilities	<u><u>\$ 1,557,362</u></u>

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

RANKIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Rankin County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Rankin County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

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

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

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

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

RANKIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

B. Individual Component Unit Disclosures.

Blended Component Unit

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

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

C. Basis of Presentation.

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

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities which are generally financed through taxes, intergovernmental revenues and other nonexchange revenues are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

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

Fund Financial Statements:

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

RANKIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

D. Measurement Focus and Basis of Accounting.

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

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

The revenues and expenses of the Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connections 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 sixty days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

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

County Unit Road Maintenance Fund - Accounts for monies from specific revenue sources that are restricted for road maintenance.

County Unit Bridge and Culvert Fund - Accounts for monies from specific revenue sources that are restricted for maintenance and installation of bridges and culverts.

Trilogy Bond I&S Fund - Accounts for monies from specific revenue sources that are restricted for industrial development of the Trilogy Corporation.

Capital Projects/2000 Road Fund - Accounts for monies from specific sources that are restricted for major road renovation.

The county reports the following major Proprietary Fund:

Pelahatchie Lake Fund - Accounts for recreational business activities at the lake.

RANKIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

E. Account Classifications.

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

F. Deposits and Investments.

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

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

G. Receivables.

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

RANKIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

H. Interfund Transactions and Balances.

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

I. Capital Assets.

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

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

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

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

	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	*	*

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

J. Long-term liabilities.

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

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

K. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved.

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

RANKIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

L. Property Tax Revenues.

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

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

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

M. Intergovernmental Revenues in Governmental Funds.

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

N. Compensated Absences.

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

Therefore, the county's full liability in the amount of \$667,893 accumulated unpaid personal leave up to a maximum of 30 days per employee payable from Governmental Funds is reported as a liability in the Statement of Net Assets. In Proprietary Funds, the compensated absences are reported as a liability of the fund in the amount of \$2,300, which represents an amount up to a maximum of 30 days per employee.

(2) Changes in Accounting Principles and Restatement of Fund Balance.

For the fiscal year ended September 30, 2003, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

GASB Statement No. 34, as amended by Statement No. 37, creates new basic financial statements for reporting on the county's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements prepared on the modified accrual basis of accounting, which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total on the fund financial statements as other Governmental Funds. Fund reclassifications and adjustments to the fund equities reported in the prior year financial statements were required as a result of the conversion to GASB Statement No. 34.

GASB Statement No. 38 requires certain note disclosures with the implementation of GASB Statement No. 34.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The provisions of these new statements have been incorporated into the financial statements and the accompanying notes. The following table summarizes the reclassifications and adjustments to the fund equity amounts reported in the prior year financial statements:

	Sept. 30, 2002 As Previously Reported	Fund and Account Group Reclassifications	Prior Period Adjustments	Sept. 30, 2002 As Restated
Governmental Funds and Governmental Activities				
Major Funds:				
General	\$ 10,282,100		(105,822)	10,176,278
County Unit Road Maintenance		4,707,916		4,707,916
County Unit Bridge and Culvert		3,606,687		3,606,687
Trilogy Bond I&S		133,500	(27,000)	106,500
Capital Projects/2000 Road		11,464,749		11,464,749
Other Governmental Funds:				
Special Revenue	25,531,200	(19,806,786)	(169,600)	5,554,814
Debt Service	788,214			788,214
Capital Projects	4,039			4,039
Total Governmental Funds	<u>36,605,553</u>	<u>106,066</u>	<u>(302,422)</u>	<u>36,409,197</u>
Governmental Activities				
Capital assets, net		76,204,062	58,084,169	134,288,231
Long-term liabilities		(28,316,300)	(10,060)	(28,326,360)
Fines receivable			606,426	606,426
Total Governmental Funds and Governmental Activities	<u>\$ 36,605,553</u>	<u>47,993,828</u>	<u>58,378,113</u>	<u>142,977,494</u>
Proprietary Fund and Business-type Activities				
Pelahatchie Lake	<u>\$ 210,184</u>	<u>0</u>	<u>(29,648)</u>	<u>180,536</u>
Fiduciary Funds				
Expendable Trust	<u>\$ 106,066</u>	<u>(106,066)</u>	<u>0</u>	<u>0</u>

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

Account Groups	Sept. 30, 2002 As Previously Reported	Fund and Account Group Reclassifications	Prior Period Adjustments	Sept. 30, 2002 As Restated
General Fixed Assets	\$ 76,204,062	(76,204,062)		0
General Long-term Debt	(28,316,300)	28,316,300		0
Total Account Groups	\$ <u>47,887,762</u>	<u>(47,887,762)</u>	<u>0</u>	<u>0</u>

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2003, was \$37,074,243, and the bank balance was \$36,227,122. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Investments:

At year end, the carrying amount of the county's investments was \$4,056,516, and the cost was \$4,108,076. The county's investments at year end consisted of corporate bonds, Mississippi municipal obligations, other municipal obligations, collateralized mortgage obligations, and a short-term portfolio. The investments are held jointly in the name of the county and Trinity Capital Management.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2003:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
County Unit Road Maintenance	General	\$ 217,818
County Unit Bridge and Culvert	General	78,052
Other Governmental Funds	General	14,012
Agency Funds	General	87,268
Total		\$ <u>397,150</u>

All receivables represent the tax revenue collected but not settled until October 2003. 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, 2003

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Pelahatchie Lake Fund	General Fund	\$ 32,933
General Fund	Other Governmental Funds	240,000
Other Governmental Funds	County Unit Bridge and Culvert Fund	210,718
Other Governmental Funds	General Fund	<u>42,988</u>
Total		<u>\$ 526,639</u>

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

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2003, consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative tag credit	\$ 869,427
Reimbursement for emergency management funds	14,078
Other receivables	<u>13,437</u>
Total Governmental Activities	<u>\$ 896,942</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2003:

Governmental activities:

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u>
	<u>Oct. 1, 2002</u>				<u>Sept. 30, 2003</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 2,593,654				2,593,654
Construction in progress		36,807			36,807
Total non-depreciable capital assets	<u>2,593,654</u>	<u>36,807</u>	<u>0</u>	<u>0</u>	<u>2,630,461</u>
<u>Depreciable capital assets:</u>					
Infrastructure				175,025,220	175,025,220
Buildings	51,508,183	50,000		(430,540)	51,127,643
Improvements other than buildings	849,469			(79,568)	769,901
Mobile equipment	7,211,904	746,920	742,185	(43,992)	7,172,647

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

	Balance				Balance
	Oct. 1, 2002	Additions	Deletions	Adjustments	Sept. 30, 2003
Furniture and equipment	8,922,187	179,464	128,823	(1,650,118)	7,322,710
Leased property under capital leases	5,118,665	3,539,355		(722,759)	7,935,261
Total depreciable capital assets	<u>73,610,408</u>	<u>4,515,739</u>	<u>871,008</u>	<u>172,098,243</u>	<u>249,353,382</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure		5,950,248		90,424,615	96,374,863
Buildings		1,017,552		11,745,839	12,763,391
Improvements other than buildings		30,796		355,268	386,064
Mobile equipment		603,882		4,278,043	4,881,925
Furniture and equipment		810,623		4,155,236	4,965,859
Leased property under capital leases		1,052,866		3,055,073	4,107,939
Total accumulated depreciation	<u>0</u>	<u>9,465,967</u>	<u>0</u>	<u>114,014,074</u>	<u>123,480,041</u>
Total depreciable capital assets, net	<u>73,610,408</u>	<u>(4,950,228)</u>	<u>871,008</u>	<u>58,084,169</u>	<u>125,873,341</u>
Governmental activities capital assets, net	<u>\$ 76,204,062</u>	<u>(4,913,421)</u>	<u>871,008</u>	<u>58,084,169</u>	<u>128,503,802</u>
Business-type activities:					
	Balance				Balance
	Oct. 1, 2002	Additions	Deletions	Adjustments	Sept. 30, 2003
<u>Non-depreciable capital assets:</u>					
Land	<u>\$ 47,448</u>				<u>47,448</u>
<u>Depreciable capital assets:</u>					
Buildings	124,162			(73,642)	50,520
Improvements other than buildings	121,212			(4,666)	116,546
Mobile equipment				10,000	10,000
Furniture and equipment	11,390			(11,390)	
Total depreciable capital assets	<u>256,764</u>	<u>0</u>	<u>0</u>	<u>(79,698)</u>	<u>177,066</u>

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

	Balance <u>Oct. 1, 2002</u>	Additions	Deletions	Adjustments	Balance <u>Sept. 30, 2003</u>
<u>Less accumulated depreciation for:</u>					
Buildings	60,162	1,010		(56,122)	5,050
Improvements other than buildings	24,983	4,662		5,955	35,600
Mobile equipment				9,000	9,000
Furniture and equipment	8,883			(8,883)	
Total accumulated depreciation	<u>94,028</u>	<u>5,672</u>	<u>0</u>	<u>(50,050)</u>	<u>49,650</u>
 Total depreciable capital assets, net	 <u>162,736</u>	 <u>(5,672)</u>	 <u>0</u>	 <u>(29,648)</u>	 <u>127,416</u>
 Business-type activities capital assets, net	 <u>\$ 210,184</u>	 <u>(5,672)</u>	 <u>0</u>	 <u>(29,648)</u>	 <u>174,864</u>

Adjustments are the effect of implementing GASB 34.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 3,137,968
Public safety	4,844,682
Public works	<u>1,483,317</u>
Total governmental activities depreciation expense	<u>\$ 9,465,967</u>
Business-type activities:	
Parks and recreation	<u>\$ 5,672</u>

As of September 30, 2003, the county had the following commitment with respect to unfinished capital projects:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Construction of office space in old courthouse basement	\$ <u>4,400</u>	07/15/04

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement personnel and \$350,000 for all other employees for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2003, to January 1, 2004. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The county finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the county retaining the risk of loss on all claims to which the county is exposed. Premium payments to the pool are determined on an actuarial basis. The county has reinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$75,000, and the aggregate policy covers all submitted claims in excess of \$4,700,000. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Changes in the balances of claims liabilities during the year are as follows:

Unpaid Claims, Beginning of Fiscal Year	\$ 689,553
Plus: Incurred Claims (Including IBNRs)	5,215,309
Less: Claims Payments	<u>5,118,913</u>
Unpaid Claims, End of Fiscal Year	<u>\$ 785,949</u>

(8) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$140,000 for the year ended September 30, 2003. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2004	\$ 140,000
2005	140,000
2006	140,000
2007	140,000
2008	140,000

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

<u>Year Ended September 30</u>	<u>Amount</u>
2009-2013	700,000
2014-2018	700,000
2019-2023	700,000
2024-2028	<u>420,000</u>
Total Minimum Payments Required	<u>\$ 3,220,000</u>

In addition to the future lease receivables, the county receives annual compensation in lieu of taxes equal to the difference in \$500,000 per year and the actual taxes assessed and/or imposed on the real and personal property of the leased property. For the year ended September 30, 2003, the county received \$262,125 in lieu taxes.

(9) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2003:

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

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2003, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 466,000	214,797
2005	497,000	190,712
2006	523,000	165,158
2007	549,000	138,012
2008	580,000	108,993
2009-2013	1,360,000	146,862
2014-2018	<u>114,000</u>	<u>12,093</u>
Total	<u>\$ 4,089,000</u>	<u>976,627</u>

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2003:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,511,316
Other furniture and equipment	<u>6,423,945</u>
Total	7,935,261
Less: Accumulated depreciation	<u>4,107,939</u>
Leased Property Under Capital Leases	<u>\$ 3,827,322</u>

The following is a schedule by years of the total payments due as of September 30, 2003:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 1,047,027	292,855
2005	1,189,641	244,573
2006	1,247,315	198,791
2007	755,318	150,505
2008	665,905	114,850
2009 - 2013	<u>1,666,401</u>	<u>144,963</u>
Total	<u>\$ 6,571,607</u>	<u>1,146,537</u>

(10) Long-term Debt.

Debt outstanding as of September 30, 2003, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
2000A road bonds	\$ 12,050,000	5 to 6.25	07/15
2000B building bonds	<u>5,480,000</u>	5 to 7.25	07/20
Total General Obligation Bonds	<u>\$ 17,530,000</u>		

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
B. Limited Obligation Bonds:			
Rankin County certificates of participation	\$ 185,000	6.1 to 6.4	05/07
Rankin County certificates of participation	<u>2,315,000</u>	5.78	04/09
Total Limited Obligation Bonds	<u>\$ 2,500,000</u>		
C. Capital Leases:			
800 trunking communications system	\$ 1,913,697	4.84	12/10
Motorola E-911 radio equipment	54,882	7.23	02/06
Auto external defibrillators	7,811	10.88	12/03
Dump trucks and paver	102,077	5.19	03/04
Caterpillar motor graders (2)	258,547	3.69	01/05
Early warning storm system	179,887	6.30	01/07
High speed printer	11,100	4.11	06/05
E-911 equipment	956,999	5.17	01/10
2002 Caterpillar 315C excavator	94,166	3.46	03/07
3 Case 590M backhoes	190,198	3.45	05/06
Offendertrak jail management system	1,725,000	4.99	06/10
2 2004 Sterling trucks with Warren dump bodies	129,266	3.46	06/08
2 Case bulldozers and 1 Ingersoll-Rand sheepsfoot roller	210,006	2.60	07/06
Voting machines	540,120	2.75	07/06
IBM model 810 hardware and software	<u>197,851</u>	2.91	08/06
Total Capital Leases	<u>\$ 6,571,607</u>		
D. Other Loans:			
Road note - Flowood	\$ 927,000	6.1 to 6.3	04/12
Road note - Pearl	505,586	4.6	02/19
Capital improvements loan - DECD	<u>537,456</u>	3.75	04/10
Total Other Loans	<u>\$ 1,970,042</u>		

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

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

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 920,000	977,578	410,000	140,320
2005	970,000	918,615	440,000	116,165
2006	1,030,000	856,453	460,000	90,210
2007	1,085,000	789,878	490,000	62,899
2008	1,150,000	719,765	460,000	33,957
2009 - 2013	6,845,000	2,644,322	240,000	6,936
2014 - 2018	4,570,000	831,572		
2019 - 2023	960,000	84,652		
Total	\$ <u>17,530,000</u>	<u>7,822,835</u>	<u>2,500,000</u>	<u>450,487</u>

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 264,687	96,758
2005	196,015	87,476
2006	206,869	77,862
2007	217,449	67,570
2008	232,222	56,664
2009 - 2013	772,064	119,124
2014 - 2018	80,736	12,879
Total	\$ <u>1,970,042</u>	<u>518,333</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2003, the amount of outstanding debt was equal to 1.95% of the latest property assessments.

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2003:

	Balance <u>Oct. 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	Balance <u>Sept. 30, 2003</u>	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 801,327		133,434		667,893	
Claims and judgements	689,553	5,215,309	5,118,853	(60)	785,949	
General obligation bonds	18,400,000		870,000		17,530,000	920,000
Limited obligation bonds	2,890,000		390,000		2,500,000	410,000
Capital leases	3,396,309	4,079,475	904,177		6,571,607	1,047,027
Other loans	2,149,171		179,129		1,970,042	264,687
Total	\$ 28,326,360	9,294,784	7,595,593	(60)	30,025,491	2,641,714
Business-type Activities:						
Compensated absences	\$ 0	2,300	0	0	2,300	0

(11) Contingencies.

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

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

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

<u>Description</u>	<u>Balance at Sept. 30, 2003</u>
Trilogy, Inc. G.O. Industrial Bonds	\$ 3,605,000
Pelahatchie Sewer Improvement G.O. Bonds	165,000
Pelahatchie Water Improvement G.O. Bonds	319,000
Total	\$ 4,089,000

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

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

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

<u>Description</u>	<u>Balance at Sept. 30, 2003</u>
Industrial revenue bonds	\$ <u>13,640,000</u>

(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 \$1,263,783 in fiscal year 2003. 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 \$3,844 in financial support in fiscal year 2003.

Central Mississippi Planning and Development District operates in a district composed of the Counties of Copiah, Hinds, Madison, Rankin, Warren and Yazoo. The Rankin County Board of Supervisors appoints three of the 33 members of the board of directors. The county appropriated \$18,964 for support of the district in fiscal year 2003.

East Central Community Action Agency, Inc. operates in a district composed of the Counties of Leake, Neshoba, Rankin, Scott and Smith. The Rankin County Board of Supervisors appoints two of the 30 board members. The county provides a modest amount of support when matching funds are required for federal grants.

Hinds Community College operates in a district composed of the Counties of Claiborne, Copiah, Hinds, Rankin and Warren. The Rankin County Board of Supervisors appoints one of the 15 members of the college board of trustees. The county appropriated \$1,255,896 for maintenance and \$621,000 for improvement of the college in fiscal year 2003.

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 2003.

RANKIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(15) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2003, 2002 and 2001 were \$1,057,726, \$1,015,203 and \$908,583, respectively, equal to the required contributions for each year.

(16) Other Information.

As a result of revenue shortfalls, the State Tax Commission had to withhold 7.97% of the March 2003 homestead exemption reimbursement from local governments. The amount withheld from Rankin County during the 2002-2003 fiscal year was \$100,362.

(17) Subsequent Events.

Subsequent to September 30, 2003, Rankin County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
12/15/03	3.04%	\$ 133,682	Lease purchase	Bridge and culvert funds
12/15/03	3.04%	94,600	Lease purchase	Road and bridge funds
12/15/03	3.04%	314,752	Lease purchase	Road and bridge funds
02/17/04	2.75%	725,623	Lease purchase	General County funds

Rankin County issued \$16,870,000 in general obligation bonds with an interest rate of 4.01 percent on January 26, 2005.

RANKIN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

RANKIN COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2003

General County

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 13,718,328	14,157,726	14,157,726	
Licenses, commissions and other revenue	1,313,650	1,659,266	1,659,266	
Fines and forfeitures	837,000	2,709,784	2,709,784	
Intergovernmental revenues	3,015,243	3,087,092	3,087,092	
Charges for services	700,000	1,033,562	1,033,562	
Interest income	330,000	679,922	679,922	
Miscellaneous revenues	789,375	901,677	901,677	
Total Revenues	<u>20,703,596</u>	<u>24,229,029</u>	<u>24,229,029</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	7,634,244	10,670,509	10,670,509	
Public safety	8,857,085	8,924,069	8,924,069	
Public works	256,850	32,046	32,046	
Health and welfare	816,469	945,028	945,028	
Culture and recreation	1,163,783	1,263,783	1,263,783	
Conservation of natural resources	264,902	256,698	256,698	
Economic development and assistance	58,964	60,910	60,910	
Debt service:				
Principal	1,075,299	659,784	659,784	
Interest		505,085	505,085	
Total Expenditures	<u>20,127,596</u>	<u>23,317,912</u>	<u>23,317,912</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>576,000</u>	<u>911,117</u>	<u>911,117</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		5,725	5,725	
Compensation for loss of capital assets		14,386	14,386	
Transfers in		259,441	259,441	
Transfers out	(765,000)	(77,411)	(77,411)	
Other financing sources	190,000			
Total Other Financing Sources and Uses	<u>(575,000)</u>	<u>202,141</u>	<u>202,141</u>	<u>0</u>
Net Change in Fund Balance	1,000	1,113,258	1,113,258	0
Fund Balances - Beginning	<u>7,000,000</u>	<u>10,123,885</u>	<u>8,236,380</u>	<u>(1,887,505)</u>
Fund Balances - Ending	<u>\$ 7,001,000</u>	<u>11,237,143</u>	<u>9,349,638</u>	<u>(1,887,505)</u>

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

RANKIN COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 County Unit Road Maintenance Fund
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,573,395	4,824,401	4,824,401	
Road and bridge privilege taxes	1,326,137	1,600,483	1,600,483	
Licenses, commissions and other revenue	2,000	1,389	1,389	
Intergovernmental revenues	745,800	1,135,670	1,135,670	
Interest income	20,000			
Miscellaneous revenues	10,000	264,401	264,401	
Total Revenues	<u>6,677,332</u>	<u>7,826,344</u>	<u>7,826,344</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	6,677,332	4,320,806	4,320,806	
Debt service:				
Principal		1,028,525	1,028,525	
Interest		786,765	786,765	
Total Expenditures	<u>6,677,332</u>	<u>6,136,096</u>	<u>6,136,096</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>1,690,248</u>	<u>1,690,248</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued		100,572	100,572	
Proceeds from sale of capital assets		216,699	216,699	
Total Other Financing Sources and Uses	<u>0</u>	<u>317,271</u>	<u>317,271</u>	<u>0</u>
Net Change in Fund Balance	0	2,007,519	2,007,519	0
Fund Balances - Beginning	<u>2,000,000</u>	<u>4,689,221</u>	<u>4,689,221</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 2,000,000</u>	<u>6,696,740</u>	<u>6,696,740</u>	<u>0</u>

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

RANKIN COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 County Unit Bridge and Culvert Fund
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,335,730	3,538,708	3,538,708	
Licenses, commissions and other revenue	1,438	754	754	
Interest income	15,000			
Miscellaneous revenues		7,496	7,496	
Total Revenues	<u>3,352,168</u>	<u>3,546,958</u>	<u>3,546,958</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	3,352,168	1,859,333	1,859,333	
Debt service:				
Principal		215,201	215,201	
Interest		16,510	16,510	
Total Expenditures	<u>3,352,168</u>	<u>2,091,044</u>	<u>2,091,044</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>1,455,914</u>	<u>1,455,914</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers out		(210,718)	(210,718)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(210,718)</u>	<u>(210,718)</u>	<u>0</u>
Net Change in Fund Balance	0	1,245,196	1,245,196	0
Fund Balances - Beginning	<u>2,000,000</u>	<u>3,550,552</u>	<u>3,550,552</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 2,000,000</u>	<u>4,795,748</u>	<u>4,795,748</u>	<u>0</u>

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

RANKIN COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Trilogy Bond I&S Fund
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Miscellaneous revenues	\$ 628,073	625,073	625,073	
Total Revenues	<u>628,073</u>	<u>625,073</u>	<u>625,073</u>	<u>0</u>
EXPENDITURES				
Current:				
Debt service:				
Principal	628,073	435,000	435,000	
Interest	<u> </u>	<u>217,073</u>	<u>217,073</u>	
Total Expenditures	<u>628,073</u>	<u>652,073</u>	<u>652,073</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>(27,000)</u>	<u>(27,000)</u>	<u>0</u>
Net Change in Fund Balance	0	(27,000)	(27,000)	0
Fund Balances - Beginning	<u> </u>	<u>133,501</u>	<u>133,501</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>106,501</u>	<u>106,501</u>	<u>0</u>

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

RANKIN COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Capital Projects/2000 Road Fund
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$	178,487	178,487	
Total Revenues	<u>0</u>	<u>178,487</u>	<u>178,487</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	<u>11,000,000</u>	<u>2,773,306</u>	<u>2,773,306</u>	
Total Expenditures	<u>11,000,000</u>	<u>2,773,306</u>	<u>2,773,306</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(11,000,000)</u>	<u>(2,594,819)</u>	<u>(2,594,819)</u>	<u>0</u>
Net Change in Fund Balance	(11,000,000)	(2,594,819)	(2,594,819)	0
Fund Balances - Beginning	<u>11,000,000</u>	<u>11,464,749</u>	<u>11,464,749</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>8,869,930</u>	<u>8,869,930</u>	<u>0</u>

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

RANKIN COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2003

A. Budgetary Information.

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

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

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP) basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund.

For the year ended September 30, 2003, the county implemented GASB Statement No. 41, *Budgetary Comparison Schedules - Perspective Differences*, which amends GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The statement clarifies the budgetary presentation requirements. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

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

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

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

RANKIN COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2003

	Governmental Fund Types				
	General Fund	County Unit Road Maintenance Fund	County Unit Bridge and Culvert Fund	Trilogy Bond I&S Fund	Capital Projects/2000 Road Fund
Budget (Cash Basis)	\$ 1,113,258	2,007,519	1,245,196	(27,000)	(2,594,819)
Increase (Decrease)					
Net adjustments for revenue	101,743	632,606	6,563	(625,073)	
Net adjustments for expenditure accruals	<u>(136,943)</u>	<u>(701,624)</u>	<u>(190,353)</u>	<u>652,073</u>	<u>(169,623)</u>
GAAP Basis	\$ <u><u>1,078,058</u></u>	<u><u>1,938,501</u></u>	<u><u>1,061,406</u></u>	<u><u>0</u></u>	<u><u>(2,764,442)</u></u>

RANKIN COUNTY

SUPPLEMENTAL INFORMATION

RANKIN COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2003

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority HOME investment partnerships program	14.239	MO1-SG-28-01-1020	\$ <u>152,236</u>
Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency Public assistance grants	97.036	1459-DR-MS-121-99121-00	<u>151,881</u>
Total Expenditures of Major Federal Awards			<u>304,117</u>
OTHER FEDERAL AWARDS			
Office of National Drug Control Policy/Passed-through the Mississippi Department of Public Safety/Marine Resources/ Narcotics High intensity drug trafficking area (HIDTA)	07.UN	I1PGCP546	<u>35,330</u>
U.S. Department of Justice - Office of Justice Programs Local law enforcement block grants program	16.592	2001-LB-BX-1604	<u>33,625</u>
Office of Community Oriented Policing Services Public safety partnership and community policing grants	16.710	2000SHWX0209	101,771
Public safety partnership and community policing grants	16.710	1999UMWX3040	<u>20,000</u>
Subtotal			<u>121,771</u>
Total U.S. Department of Justice			<u>155,396</u>
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	<u>1,760</u>

RANKIN COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2003

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Education - Office of Safe and Drug Free Schools/Passed-through the Mississippi Department of Public Safety			
Safe and drug-free schools and communities - state grants	84.186	OJB1611	14,961
Safe and drug-free schools and communities - state grants	84.186	3SC1611	31,788
Safe and drug-free schools and communities - state grants	84.186	XXXXX	<u>4,296</u>
Total U.S. Department of Education			<u>51,045</u>
Total Expenditures of Other Federal Awards			<u>243,531</u>
Total Expenditures of Federal Awards			<u>\$ 547,648</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

RANKIN COUNTY

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RANKIN COUNTY

SPECIAL REPORTS

RANKIN COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Rankin County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Rankin County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated June 30, 2004. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Rankin County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance which we have reported to the management of Rankin County, Mississippi, in our Independent Auditor's Report on Compliance with State Laws and Regulations and the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated June 30, 2004, included within this document.

Internal Control Over Financial Reporting

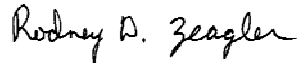
In planning and performing our audit, we considered Rankin County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Rankin County, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 03-1 and 03-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses.

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



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

June 30, 2004



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Rankin County, Mississippi

Compliance

We have audited the compliance of Rankin County, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2003. Rankin County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Rankin County, Mississippi's management. Our responsibility is to express an opinion on Rankin County, Mississippi's compliance based on our audit.

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

In our opinion, Rankin County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

Internal Control Over Compliance

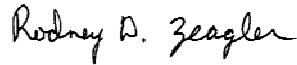
The management of Rankin County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Rankin County, Mississippi's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

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

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



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

June 30, 2004



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Rankin County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Rankin County, Mississippi, as of and for the year ended September 30, 2003. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

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

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed an instance of noncompliance with the aforementioned code sections. The instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Purchase Clerk.

Finding

Section 31-7-103, Miss. Code Ann. (1972), requires a requisition, purchase order and receiving report for all purchases, except for those items enumerated by the Office of the State Auditor under the authority of Section 31-7-113, Miss. Code Ann. (1972), and except for purchases of not more than \$100. We noted the following deviations from the prescribed systems:

- a. Some purchase documents did not have detailed descriptions or specific amounts noted on the documents.
- b. Some purchases were made without the required purchase documents.

- c. Some purchase documents were not signed by the Purchase Clerk. A stamped signature was used.
- d. Some purchase documents appeared to be completed after the fact, as evidenced by exact amounts of a particular commodity on a purchase order.

Recommendation

The Purchase Clerk should ensure that purchase transaction documents are present, completed with sufficient detail and specific amounts as required, and in the proper time sequence.

Purchase Clerk's Response

Efforts will be made to correct this finding.

In our opinion, because of the noncompliance referred to in the preceding paragraph, Rankin County, Mississippi, did not comply, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

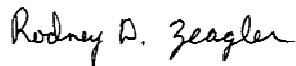
Rankin County, Mississippi's purchasing system was not in compliance with state laws governing central purchasing for fiscal year 2003. The system was retested and as of May 17, 2004, Rankin County, Mississippi, was in compliance with the central purchasing system.

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

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



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

June 30, 2004

RANKIN COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2003

Schedule 1

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

RANKIN COUNTY
 Schedule of Emergency Purchases
 For the Year Ended September 30, 2003

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
02/27/03	Emergency bridge repair on Old Highway 49 in Richland	\$ 19,300	Fordice Construction Company	Extreme weather conditions had undermined the structural integrity of the bridge.
05/05/03	Emergency repair of the dam at Pelahatchie Lake	5,120	L. R. Kilgore	Extreme weather conditions had undermined the structural integrity of the dam.

RANKIN COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2003

Schedule 3

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

RANKIN COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Members of the Board of Supervisors
Rankin County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Rankin County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated June 30, 2004. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. 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.

The results of our procedures and our audit of the primary government financial statements disclosed certain immaterial instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are disclosed below:

Board of Supervisors.

1. Finding

Section 19-9-29, Miss. Code Ann. (1972), allows the Board of Supervisors to invest surplus county funds in certificates of deposit with qualified depositories or in any bonds or other direct obligations of the United States of America, the State of Mississippi or in any county, municipality or school district of this state on obligations issued or guaranteed in full as to principal and interest by the United States of America. On September 30, 2003, the county had invested in corporate bonds and collateralized management obligations. The investments are held by the bank in custodial capacity for Rankin County/Trinity Capital Management. The investment of surplus fund is in violation of the above mentioned code section.

Recommendation

The Board of Supervisors should only invest surplus funds in instruments allowed by Section 19-9-29, Miss. Code Ann. (1972).

Board of Supervisors' Response

The county maintains complete and total control over all investments. The county monitors investment portfolios and cash flow needs. The investments in question are direct obligations of the U.S. government as required by Section 19-9-29 of the Miss. Code of (1972), Ann.

Auditor's Note

A third-party investment broker has complete control over the buying and selling of investments. All investments were not authorized. At the fiscal year end, almost 50 percent of the investment balance was allocated to corporate bonds and mortgage obligations.

2. Finding

Section 19-3-68, Miss. Code Ann. (1972), allows the Board of Supervisors to acquire one or more credit cards which may be used by the members of the Board of Supervisors and county employees to pay expenses incurred when traveling in or out of the state in the performance of their official duties. There is no evidence that credit card receipts are not being reviewed. We noted some employees were paying tips of up to 52 percent of the meal cost.

Recommendation

The Board of Supervisors should more closely review credit card receipts to prevent inappropriate charges.

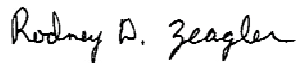
Board of Supervisors' Response

The Sheriff has taken appropriate action to prevent this error from reoccurring.

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



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

June 30, 2004

RANKIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

RANKIN COUNTY

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RANKIN COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|---|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | No |
| 6. | Any audit findings reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| a. | HOME investment partnerships program, CFDA #14.239 | |
| b. | Public assistance grants, CFDA #97.036 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

RANKIN COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Section 2: Financial Statement Findings

Board of Supervisors.

03-1. Finding

Transactions involving the receipt and disbursement of seized drug funds were posted to a revenue account which resulted in an understatement of revenues and expenditures that is material to the financial statements. Audit adjustments were made to properly reflect the affected accounts.

Recommendation

The Board of Supervisors should ensure revenues and expenditures are separately classified to proper revenue and expenditure accounts.

Board of Supervisors' Response

Transactions involving the disbursement of seized drug funds were disbursed from a revenue account as these funds were not considered an expense since the money did not belong to the county but to another agency and was therefore handled as any clearing account. Proper measures have been taken to make the necessary corrections for the financial statements.

03-2. Finding

Expenditures, in amounts material to the financial statements were classified to an undesignated account. Audit adjustments were made to properly reflect the affected accounts.

Recommendation

The Board of Supervisors should establish procedures to ensure expenditures are properly classified and recorded.

Board of Supervisors' Response

The undesignated account was a change due to GASB Statement No. 38 and was not changed in our system due to clerical oversight. The proper classification is now in place.

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.