

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

***INTRODUCTION***

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

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

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

***FINANCIAL HIGHLIGHTS***

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

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

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

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

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

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

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

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

Among major funds:

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

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

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

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

## ***OVERVIEW OF THE FINANCIAL STATEMENTS***

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

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

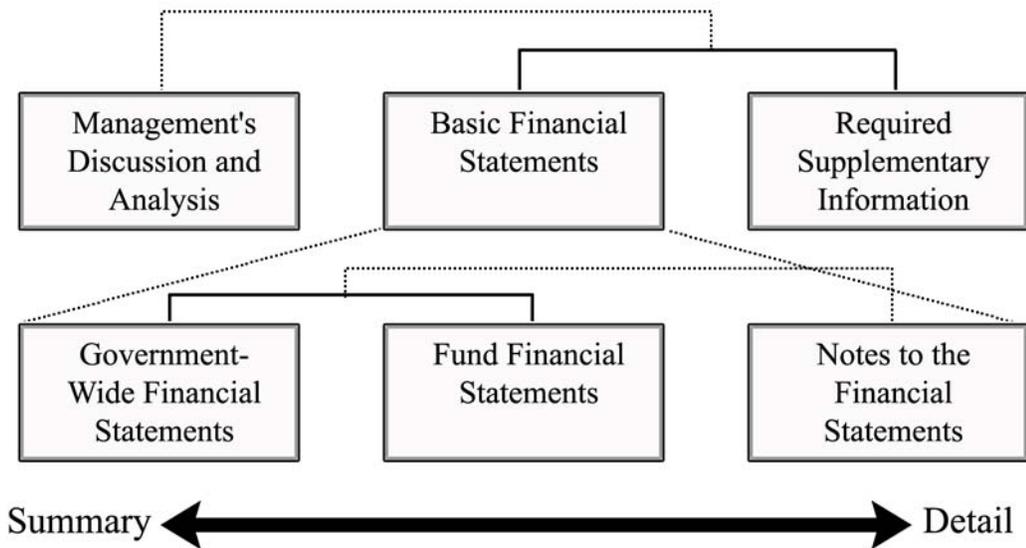


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## ***GOVERNMENT-WIDE FINANCIAL ANALYSIS***

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

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

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

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

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

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

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

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

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

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

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

### ***FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS***

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

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

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

### ***BUDGETARY HIGHLIGHTS OF MAJOR FUNDS***

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

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

### ***CAPITAL ASSETS AND DEBT ADMINISTRATION***

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

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

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

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

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

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

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

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

### ***CURRENT AND FUTURE ITEMS OF IMPACT***

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

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

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

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

## ***CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT***

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