



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

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State Auditor

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Director, Financial and Compliance Audit Division

HARRISON COUNTY, MISSISSIPPI

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

HARRISON COUNTY

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HARRISON COUNTY

FINANCIAL SECTION

HARRISON 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
Harrison County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Harrison 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 Harrison 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 Harrison County, Mississippi, as of September 30, 2003, and the respective changes in its financial position 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, each major fund and the aggregate remaining fund information for the primary government of Harrison County, Mississippi, as of September 30, 2003, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, Harrison 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.

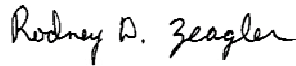
In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2004, on our consideration of Harrison County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That 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.

The Management's Discussion and Analysis on pages 7 through 16 and the Budgetary Comparison Schedule and corresponding notes on pages 46 through 49 is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of 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 Harrison 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

May 19, 2004

HARRISON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

HARRISON COUNTY

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HARRISON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2003

INTRODUCTION

The discussion and analysis of Harrison County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2003. 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. Certain comparative information between the current year and the prior year is required to be presented. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No. 34, the Statement permits the omission of prior year data in the year of implementation. The County has elected not to present comparative data.

FINANCIAL HIGHLIGHTS

Harrison 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.

Harrison County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a significant tax increase.

Total net assets increased \$1,343,894, which represents a 1.97% increase from the prior fiscal year. The County's ending cash balance decreased by \$2,205,127, which represents a 4.5% decrease from the prior fiscal year.

The County had \$91,163,384 in total revenues. Tax revenues account for \$44,248,166 or 48.5% of total revenues. State and Federal revenues in the form of reimbursements, shared revenue or grants, account for \$29,920,201 or 32.8% of total revenues.

The County had \$89,819,490 in total expenses. Expenses in the amount of \$30,856,967 were offset by grants, outside contributions or debt being issued. General revenues of \$60,306,417 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$48,436,882 in revenues and \$62,926,697 in expenditures. The General Fund's fund balance decreased \$854,093 from the prior year.

Harrison County's other major fund, the Road Fund, had \$8,667,305 in revenues and \$11,011,407 in expenditures. The Road Fund's fund balance decreased \$1,321,906 due to the use of beginning of the year cash for operating expenditures.

Capital assets, net of accumulated depreciation, increased by \$44,162,320 largely due to the addition of infrastructure to capital assets during the year.

Long-term debt increased by \$3,851,657.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

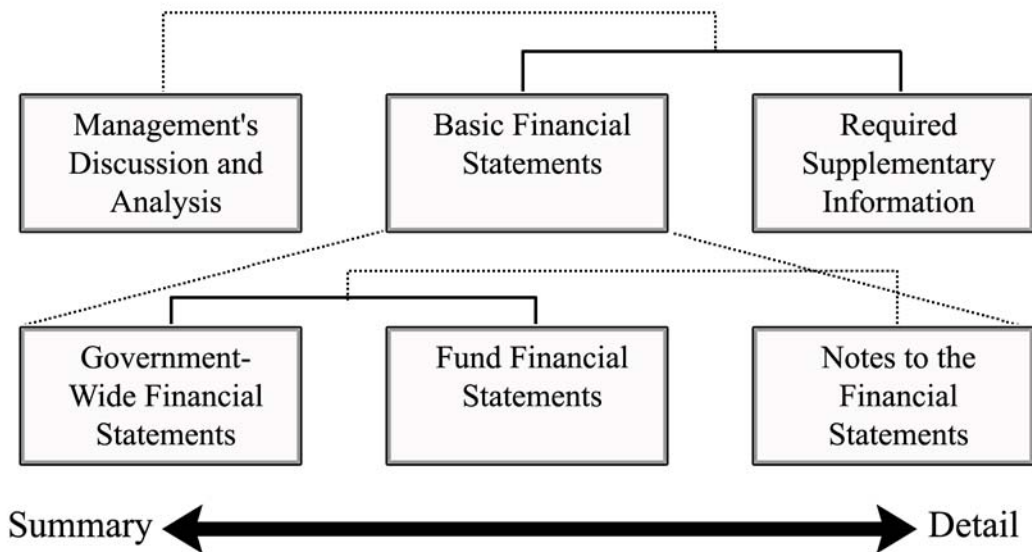


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

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

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

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 Government-wide Financial Statements can be found on pages 18 and 19 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 two categories: governmental 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 21 and 23, 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 20-23 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 24 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 25-43 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 46-49 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on pages 52 and 53 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 Harrison County, assets exceeded liabilities by \$69,566,371 as of September 30, 2003.

By far, the largest portion of the County's net assets (54.8%) 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, 2003.

	<u>Governmental Activities</u>
Current assets	\$91,001,481
Capital assets, net	<u>123,232,525</u>
Total assets	<u>214,234,006</u>
Current liabilities	42,875,490
Long-term debt outstanding	<u>101,792,145</u>
Total liabilities	<u>144,667,635</u>
Net assets:	
Invested in capital assets, net of related debt	38,088,851
Restricted	35,575,975
Unrestricted	<u>(4,098,455)</u>
Total net assets	<u>\$69,566,371</u>

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- Roads and Bridges were added to the County's inventory, due to accounting changes implemented by the "Governmental Accounting Standards Board". This resulted in an additional \$47,704,684 of net capital assets being booked for the first time in the 2003 fiscal year.
- The Board of Supervisors used accumulated cash balances of some funds for operating expenditures.

Changes in Net Assets – Harrison County's total revenues for the fiscal year ended September 30, 2003 was \$91,163,384. The total cost for all services provided was \$89,819,490. The increase in net assets was \$1,343,894. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2003.

Revenues:	<u>Amount</u>
Program revenues	
Charges for services	\$10,614,924
Operating grants and contributions	12,183,921
Capital grants and contributions	8,058,122

	<u>Amount</u>
General revenues	
Property taxes	44,248,166
Road & bridge privilege taxes	2,147,999
Grants and contributions not restricted to specific programs	9,678,158
Other	<u>4,232,094</u>
 Total Revenues	 <u>91,163,384</u>
 Expenses:	
General government	22,075,326
Public safety	23,786,253
Public works	21,796,324
Health and welfare	5,197,493
Economic development	10,401,353
Other expenses	<u>6,562,741</u>
Total Expenses	<u>89,819,490</u>
 Increase in Net Assets	 <u>\$ 1,343,894</u>

Governmental Activities – The following table presents the cost of five major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare and Economic Development.

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 Harrison County's taxpayers by each of these functions.

	<u>Total Costs</u>	<u>Net Costs</u>
General Government	\$ 22,075,326	\$ 16,863,760
Public Safety	23,786,253	13,667,038
Public Works	21,796,324	14,134,119
Health & Welfare	5,197,493	4,348,574
Economic Development	10,401,353	3,441,492

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds – At the close of the fiscal year, Harrison County's governmental funds reported a combined fund balance of \$44,452,323, a decrease of \$2,614,895. The primary reasons for this decrease are highlighted in the analysis of governmental activities. In addition, others factors that affected ending fund balance are as follows:

- The county expended \$4.3 million of bond issue process from bonds issued in prior years.
- The fund balance of the Coliseum Debt Fund increased by \$1.2 million due to excess of Tourism tax revenues over debt service on the Coliseum expansion project.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$854,093. This decrease was primarily due to the use of beginning cash balances for operating expenditures.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Harrison County revised its annual operating budget on several occasions. Significant budget amendments are explained as follows:

- Amendments were made in the General Fund for litigation settlements, health insurance increases, county portion of a parking garage for the Coast Transit Authority in downtown Gulfport, and for countywide communication radios for the Sheriff's Department.
- Amendments were made in the Road Fund and the Sand Beach Fund for health insurance increases after the budget was approved.

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, 2003, Harrison County's total capital assets was \$123,232,525. 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 an increase from the previous year of \$44,162,320. The majority of this increase is due to the addition of infrastructure to the net capital assets during the year.

Total accumulated depreciation as of September 30, 2003 was \$91,859,489, including \$4,770,516 of depreciation expense for the year. The balance in total net capital assets was \$123,232,525 at year-end.

Additional information on Harrison County's capital assets can be found in Note 9 on pages 34 and 35 of this report.

Debt Administration – At September 30, 2003, Harrison County had \$101,792,145 in long-term debt outstanding. This includes general obligation bonds, Mississippi Development Bank Loans, Mississippi Business Investment Act notes and obligations under capital lease. Of this debt, \$7,064,170 is due within one year.

In the past year, Harrison County had draws totaling \$2,301,558 from a \$15 million Mississippi Development Bank loan for the purpose of constructing a countywide emergency communication system, entered into capital leases totaling \$1,860,615 to purchase fire trucks, copiers, and a record imaging system and had draws totaling \$342,500 from a \$5 million Mississippi Development Bank loan for various projects in the County.

During the year, Harrison County issued \$12,525,000 in Mississippi Development Bank Special Obligation Bonds to refund two Mississippi Development Bank loans and issued \$6,770,000 Mississippi Development Bank Special Obligation Bonds to refund the outstanding maturities of the \$10 million General Obligation Coliseum/Convention Center Bonds.

Harrison County maintains an “AAA/A-1+” 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 240 million dollars.

Additional information on Harrison County's long-term debt can be found in Note 12 on pages 37-40 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

The following projects/construction were completed or are ongoing from the 2003 \$5 million Mississippi Development Bank loan and the remainder of other bonds: County buildings renovations, E911 Countywide Communication System, paving projects, Sand Beach renourishment, community center construction, purchase of property in D'Iberville to construct a senior citizens building, and the purchase of property to construct a Head Start building in D'Iberville.

The \$15 million Mississippi Development Bank loan (2004) will not affect the tax levy. This will be used for county building renovations, new construction, D'Iberville Senior Citizens building, a new community center, boys' baseball complex, water and sewer projects, county share of the Biloxi parking garage, various storm water drainage projects, and the Maritime Seafood Museum Schooner Pier.

The following projects were contributed to by the County through interlocal agreements, but Harrison County will not have ownership:

- City of Biloxi – Ohr O’Keefe Museum, Crawford House renovations.
- City of Gulfport – Construction of a girls’ softball complex, football field, soccer field, pavilion and playground (property purchased by the City), and sidewalks and drainage projects.

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 Harrison County Administrator’s or Chancery Clerk’s office at P.O. Drawer CC, Gulfport, Mississippi 39502.

HARRISON COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

HARRISON COUNTY
Statement of Net Assets
September 30, 2003

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ 46,316,617
Property tax receivable	36,053,697
Fines receivable, (net of allowance for uncollectibles of \$3,749,480)	2,877,572
Loans receivable	935,958
Capital leases receivable	2,551,875
Intergovernmental receivables	876,927
Other receivables	592,739
Deferred charges	796,096
Capital assets, net	123,232,525
Total Assets	<u>214,234,006</u>
LIABILITIES	
Claims payable	439,811
Intergovernmental payables	2,839,627
Deferred revenue	38,605,572
Other payables	990,480
Long-term liabilities	
Due within one year:	
Capital related debt	4,127,243
Non-capital debt	2,936,927
Due in more than one year:	
Capital related debt	81,016,431
Non-capital debt	13,711,544
Total Liabilities	<u>144,667,635</u>
NET ASSETS	
Invested in capital assets, net of related debt	38,088,851
Restricted:	
Expendable:	
General government	293,534
Debt service	14,361,656
Public safety	6,791,856
Public works	9,622,951
Health and welfare	6,581
Conservation of natural resources	31,877
Economic development	1,859,371
Unemployment compensation	229,282
Capital projects	1,442,909
Other purposes	935,958
Unrestricted	<u>(4,098,455)</u>
Total Net Assets	<u>\$ 69,566,371</u>

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

HARRISON 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 Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 22,075,326	5,211,566			(16,863,760)
Public safety	23,786,253	5,340,642	4,006,765	771,808	(13,667,038)
Public works	21,796,324	62,716	7,149,988	449,501	(14,134,119)
Health and welfare	5,197,493		713,949	134,970	(4,348,574)
Culture and recreation	1,767,097				(1,767,097)
Conservation of natural resources	714,816		55,201		(659,615)
Economic development and assistance	10,401,353		258,018	6,701,843	(3,441,492)
Interest on long-term debt	4,080,828				(4,080,828)
Total Governmental Activities	<u>89,819,490</u>	<u>10,614,924</u>	<u>12,183,921</u>	<u>8,058,122</u>	<u>(58,962,523)</u>
General revenues:					
Property taxes				\$ 44,248,166	
Road & bridge privilege taxes				2,147,999	
Grants and contributions not restricted to specific programs				9,678,158	
Unrestricted investment income				1,470,017	
Miscellaneous				1,492,077	
Other financing source - lease principal payments				1,270,000	
Total General Revenues				<u>60,306,417</u>	
Changes in Net Assets				<u>1,343,894</u>	
Net Assets - Beginning, as restated				68,013,571	
Prior period adjustment				<u>208,906</u>	
Net Assets - Ending				<u>\$ 69,566,371</u>	

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

HARRISON COUNTY
Balance Sheet - Governmental Funds
September 30, 2003

Exhibit 3

	<u>Major Funds</u>		Other Governmental Funds	Total Governmental Funds
	<u>General Fund</u>	<u>Road Fund</u>		
ASSETS				
Cash	\$ 11,000,262	284,757	35,031,598	46,316,617
Property tax receivable	24,775,946	3,090,648	8,187,103	36,053,697
Fines receivable, (net of allowance for uncollectibles \$3,749,480)	2,877,572			2,877,572
Loans receivable	920,958		15,000	935,958
Capital lease receivable			2,551,875	2,551,875
Intergovernmental receivables	849,847		27,080	876,927
Other receivables	25,366		567,373	592,739
Due from other funds		246,971	751,593	998,564
Advances to other funds	5,021		366,814	371,835
Total Assets	<u>\$ 40,454,972</u>	<u>3,622,376</u>	<u>47,498,436</u>	<u>91,575,784</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 154,968	54,025	230,818	439,811
Intergovernmental payables	2,722,590			2,722,590
Due to other funds	594,619		520,982	1,115,601
Advances from other funds	26,082		345,753	371,835
Deferred revenue	27,653,518	3,090,648	10,738,978	41,483,144
Other payables	990,480			990,480
Total Liabilities	<u>32,142,257</u>	<u>3,144,673</u>	<u>11,836,531</u>	<u>47,123,461</u>
Fund balances:				
Reserved for:				
Debt service			14,361,656	14,361,656
Loans receivable	920,958		15,000	935,958
Advances	5,021		366,814	371,835
Unreserved, reported in:				
General Fund	7,386,736			7,386,736
Special Revenue Funds		477,703	20,918,435	21,396,138
Total Fund Balances	<u>8,312,715</u>	<u>477,703</u>	<u>35,661,905</u>	<u>44,452,323</u>
Total Liabilities and Fund Balances	<u>\$ 40,454,972</u>	<u>3,622,376</u>	<u>47,498,436</u>	<u>91,575,784</u>

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

HARRISON 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	\$ 44,452,323
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 \$91,859,489.	123,232,525
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,877,572
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(101,792,145)
Bond issuance costs are deferred in the Statement of Net Assets and amortized over the terms of the bonds.	<u>796,096</u>
Total Net Assets - Governmental Activities	<u>\$ 69,566,371</u>

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

HARRISON COUNTY

Exhibit 4

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

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Road Fund		
REVENUES				
Property taxes	\$ 28,673,124	4,632,797	10,942,245	44,248,166
Road and bridge privilege taxes		2,125,001		2,125,001
Licenses, commissions and other revenue	3,117,082			3,117,082
Fines and forfeitures	1,641,150		220,228	1,861,378
Intergovernmental revenues	10,399,836	1,904,187	17,619,144	29,923,167
Charges for services	2,847,758		2,210,108	5,057,866
Interest income	1,047,793	2,128	417,130	1,467,051
Miscellaneous revenues	710,139	3,192	632,350	1,345,681
Total Revenues	<u>48,436,882</u>	<u>8,667,305</u>	<u>32,041,205</u>	<u>89,145,392</u>
EXPENDITURES				
Current:				
General government	23,959,648		2,553,475	26,513,123
Public safety	18,118,934		6,164,886	24,283,820
Public works	40,368	10,709,696	11,687,987	22,438,051
Health and welfare	4,746,712		256,556	5,003,268
Culture and recreation	2,693,241		11,300	2,704,541
Conservation of natural resources	145,908		582,748	728,656
Economic development and assistance	1,913,705		8,485,552	10,399,257
Debt service:				
Principal	9,238,821	282,794	7,266,475	16,788,090
Interest	1,595,296	18,917	2,301,415	3,915,628
Bond issue costs	474,064		322,032	796,096
Total Expenditures	<u>62,926,697</u>	<u>11,011,407</u>	<u>39,632,426</u>	<u>113,570,530</u>
Excess of Revenues over (under) Expenditures	<u>(14,489,815)</u>	<u>(2,344,102)</u>	<u>(7,591,221)</u>	<u>(24,425,138)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	12,925,052	885,054	4,616,662	18,426,768
Long-term non-capital debt issued	1,064,625		342,500	1,407,125
Refunding bonds issued			6,770,000	6,770,000
Proceeds from sale of capital assets	260,900	137,142	13,508	411,550
Transfers in	108,847		1,651,815	1,760,662
Transfers out	(723,702)		(1,036,960)	(1,760,662)
Lease principal payments			1,270,000	1,270,000
Payment to bond refunding escrow agent			(6,475,200)	(6,475,200)
Total Other Financing Sources and Uses	<u>13,635,722</u>	<u>1,022,196</u>	<u>7,152,325</u>	<u>21,810,243</u>
Net Changes in Fund Balances	<u>(854,093)</u>	<u>(1,321,906)</u>	<u>(438,896)</u>	<u>(2,614,895)</u>
Fund Balances - Beginning	8,957,902	1,799,609	36,100,801	46,858,312
Prior period adjustment	208,906			208,906
Fund Balances - Beginning, as restated	<u>9,166,808</u>	<u>1,799,609</u>	<u>36,100,801</u>	<u>47,067,218</u>
Fund Balances - Ending	\$ <u>8,312,715</u>	<u>477,703</u>	<u>35,661,905</u>	<u>44,452,323</u>

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

HARRISON COUNTY

Exhibit 4-1

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

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (2,614,895)
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 \$11,448,416 exceeded depreciation of \$4,770,516 in the current period.	6,677,900
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 gain of \$169,402 and the proceeds from the sale of \$411,550 in the current period.	(242,148)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	578,598
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$16,788,090 exceeded by debt proceeds of \$19,833,893.	(3,045,803)
Also, in the debt refunding, debt repaid or defeased in the amount of \$6,310,000 was exceeded by debt proceeds in the amount of \$6,770,000.	(460,000)
Bond issuance costs are recognized in full in the Governmental Funds but deferred and amortized over the term of the debt in the Statement of Net Assets.	796,096
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The amount of increase in compensated absences.	(72,165)
The amount of increase in claims and judgments.	<u>(273,689)</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,343,894</u>

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

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

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 2,367,047
Intergovernmental receivables	117,037
Total Assets	<u>\$ 2,484,084</u>
LIABILITIES	
Other accrued liabilities	\$ 1,912,431
Intergovernmental payables	571,653
Total Liabilities	<u>\$ 2,484,084</u>

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

HARRISON COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Harrison 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 Harrison 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.

- Harrison County Development Commission
- Harrison County Tourism Commission
- Henderson Point-Pass Christian Isles Water and Sewer District
- D'Iberville Water and Sewer District
- Riverline Hills Water and Sewer 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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

HARRISON COUNTY

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

The Statement of Net Assets presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which 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 and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary 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.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities is incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgements, 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.

Road Fund - This fund accounts for monies from specific revenue sources that are restricted for road maintenance.

Additionally, the county reports the following fund types:

HARRISON COUNTY

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

GOVERNMENTAL FUND TYPES

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

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

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.

D. Account Classifications.

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

E. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

F. Receivables.

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

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

HARRISON COUNTY

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

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental 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.

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. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds.

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
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.

I. Long-term Liabilities.

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

HARRISON COUNTY

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

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

K. Property Tax Revenues.

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

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

HARRISON COUNTY

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

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.

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires. Therefore, the county's full liability in the amount of \$1,698,483 for accumulated unpaid personal leave up to a maximum of 30 days per employee is reported as a liability in the Statement of Net Assets.

(2) 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*.

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.

HARRISON COUNTY

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

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	\$ 8,957,902			8,957,902
Road		1,799,609		1,799,609
Other Governmental Funds:				
Special Revenue	26,558,870	(2,139,071)		24,419,799
Debt Service	<u>11,681,002</u>			<u>11,681,002</u>
 Total Governmental Funds	 47,197,774	 (339,462)	 0	 46,858,312
 Governmental Activities:				
Capital assets, net		79,070,205	37,726,568	116,796,773
Long-term liabilities		(97,940,488)		(97,940,488)
Fine receivable			2,298,974	2,298,974
Total Governmental Funds and Governmental Activities	 \$ <u>47,197,774</u>	 <u>(19,209,745)</u>	 <u>40,025,542</u>	 <u>68,013,571</u>
 Fiduciary Funds				
Expendable Trust	 \$ <u>120,234</u>	 <u>(120,234)</u>	 <u>0</u>	 <u>0</u>
 Account Groups				
General Fixed Assets	 \$ 79,070,205	 (79,070,205)		 0
General Long-term Debt	 (97,940,488)	 97,940,488		 0
 Total Account Groups	 \$ <u>(18,870,283)</u>	 <u>18,870,283</u>	 <u>0</u>	 <u>0</u>

(3) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To record tort claims cash/fund balance at beginning of fiscal year.	\$ <u>208,906</u>

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

<u>Explanation</u>	<u>Amount</u>
To record tort claims cash/fund balance at beginning of fiscal year.	\$ <u>208,906</u>

HARRISON COUNTY

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

(4) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2003, was \$48,683,664, and the bank balance was \$54,071,006. 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.

(5) Other Receivables.

The following is a summary of other receivables at September 30, 2003:

<u>Description</u>	<u>Amount</u>
Capital lease proceeds receivable	\$ 498,149
Amounts due from tax collector	25,365
E-911 receivables	<u>69,225</u>
Total	<u>\$ 592,739</u>

(6) 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>
Road	General	\$ 246,971
Other Governmental Funds	General	230,611
Other Governmental Funds	Other Governmental Funds	520,982
Agency Funds	General	<u>117,037</u>
Total		<u>\$ 1,115,601</u>

The payables from General Fund represent the tax revenue collected but not settled until October 2003. Other interfund loans were made to alleviate temporary cash flow problems. All interfund balances are expected to be repaid within one year from the date of the financial statements.

HARRISON COUNTY

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

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	\$ 5,021
Other Governmental Funds	General	26,082
Other Governmental Funds	Other Governmental Funds	<u>340,732</u>
Total		\$ <u><u>371,835</u></u>

The advances were to resolve cash flow problems in several funds in prior years and have not been repaid.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 108,847
Other Governmental Funds	General	723,702
Other Governmental Funds	Other Governmental Funds	<u>928,113</u>
Total		\$ <u><u>1,760,662</u></u>

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(7) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Legislative tag credit	\$ 841,645
Various federal grant reimbursements	<u>35,282</u>
Total Governmental Activities	\$ <u><u>876,927</u></u>

(8) Loans Receivable.

Loans receivable balances at September 30, 2003, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
D'Iberville Water and Sewer	07-85	N\A	N\A	\$ 27,808
West Harrison Water and Sewer	02-98	N\A	N\A	15,000
Harrison County Development Commission	12-00	3	11-2020	446,575
Harrison County Development Commission	12-00	3	11-2020	<u>446,575</u>
Total				\$ <u><u>935,958</u></u>

HARRISON COUNTY

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

(9) Capital Assets.

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

	Balance Oct. 1, 2002	Additions	Deletions	Adjustments	Balance Sept. 30, 2003
<u>Non-depreciable capital assets:</u>					
Land	\$ 4,711,013	387,704	95,519	507,181	5,510,379
Construction in progress	2,198,824	6,088,206		7,143,697	15,430,727
Total non-depreciable capital assets	<u>6,909,837</u>	<u>6,475,910</u>	<u>95,519</u>	<u>7,650,878</u>	<u>20,941,106</u>
<u>Depreciable capital assets:</u>					
Infrastructure		118,284		104,627,270	104,745,554
Buildings	48,414,076	973,337		(2,824,572)	46,562,841
Improvements other than buildings	1,007,827			19,357,818	20,365,645
Mobile equipment	11,778,166	1,011,501	1,192,397	4,813,262	16,410,532
Furniture and equipment	8,035,938	71,890	127,994	(6,341,107)	1,638,727
Leased property under capital leases	2,924,361	2,797,494		(1,294,246)	4,427,609
Total depreciable capital assets	<u>72,160,368</u>	<u>4,972,506</u>	<u>1,320,391</u>	<u>118,338,425</u>	<u>194,150,908</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure		1,345,418		55,695,452	57,040,870
Buildings		929,671		9,881,375	10,811,046
Improvements other than buildings		465,437		9,345,629	9,811,066
Mobile equipment		1,346,141	1,087,902	11,217,912	11,476,151
Furniture and equipment		311,689	85,860	1,074,423	1,300,252
Leased property under capital leases		372,160		1,047,944	1,420,104
Total accumulated depreciation	<u>0</u>	<u>4,770,516</u>	<u>1,173,762</u>	<u>88,262,735</u>	<u>91,859,489</u>
Total depreciable capital assets, net	<u>72,160,368</u>	<u>201,990</u>	<u>146,629</u>	<u>30,075,690</u>	<u>102,291,419</u>
Governmental activities capital assets, net	<u>\$ 79,070,205</u>	<u>6,677,900</u>	<u>242,148</u>	<u>37,726,568</u>	<u>123,232,525</u>

Adjustments are the effect of implementing GASB 34.

HARRISON COUNTY

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

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 674,092
Public safety	970,752
Public works	2,731,455
Health and welfare	195,425
Culture and recreation	189,580
Economic development & assistance	<u>9,212</u>
 Total governmental activities depreciation expense	 \$ <u>4,770,516</u>

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

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Gulfport courthouse renovations	\$ 215,739	October 2004
Storm roof/shutters	144,633	December 2003
E-911 system	4,958,699	October 2004
Fire alarms for the courthouse	11,833	December 2003
Hope Family Center	87,889	December 2003
Jail renovations	82,756	December 2004
Prudy Circle ball fields	209,136	November 2004

(10) 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.

HARRISON COUNTY

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

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 is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$75,000. Claims 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	\$ 1,093,931
Plus: Incurred Claims (Including IBNRs)	8,314,172
Less: Claims Payments	<u>8,040,483</u>
Unpaid Claims, End of Fiscal Year	<u>\$ 1,367,620</u>

(11) 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>
Vacuum cleaner factory	\$ <u>3,000,000</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	\$ 150,000	54,375
2005	150,000	50,625
2006	150,000	46,875
2007	150,000	43,125
2008	150,000	39,375
2009-2013	750,000	35,625
2014-2018	<u>750,000</u>	<u>31,875</u>
Total	<u>\$ 2,250,000</u>	<u>301,875</u>

HARRISON 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:

Classes of Property	Governmental Activities
Mobile equipment	\$ 2,472,755
Other furniture and equipment	<u>1,954,854</u>
Total	4,427,609
Less: Accumulated depreciation	<u>1,420,104</u>
Leased Property Under Capital Leases	<u>\$ 3,007,505</u>

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

Year Ending September 30	Governmental Activities	
	Principal	Interest
2004	\$ 959,148	68,091
2005	625,999	40,216
2006	638,309	26,421
2007	433,888	12,482
2008	<u>379,745</u>	<u>5,074</u>
Total	<u>\$ 3,037,089</u>	<u>152,284</u>

(12) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
A. General Obligation Bonds:			
Road and bridge bond - Series 1991	\$ 285,000	5.88	04-06
General obligation bonds - Series 1994 A	305,000	5.6, 8	07-14
General obligation bonds - Series 1994 B	150,000	5.6, 5.875	07-14
General obligation bonds - Series 1996	4,740,000	5.25, 6.6	08-16
General obligation bonds - Series 1998	5,000,000	4.4, 5.8	05-18
Coliseum refunding bonds - Series 2003	6,770,000	Variable	04-10
General obligation public improvement bonds	3,840,000	6.25, 8.9	11-11
General obligation bonds - Series 1994 A	535,000	8.9	11-09
General obligation public improvement bonds - Series 1996 A	5,340,000	7.75, 8	04-16
General obligation public improvement bonds - Series 1996 B	840,000	5, 5.6	04-16

HARRISON COUNTY

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
General obligation refunding bonds - Series 1997 B	12,720,000	4.25, 5, 5.8	07-07
Special obligation, Series 2000	9,390,000	Variable	05-20
Public improvement project	7,500,000	Variable	01-25
Jail bond project, Series 2000	3,285,000	Variable	10-20
General obligation U.S.M. project bonds - Series 2001	1,815,000	4.95	01-16
General obligation refunding bonds - Series 2003	<u>12,525,000</u>	Variable	03-25
 Total General Obligation Bonds	 \$ <u><u>75,040,000</u></u>		
 B. General Obligation Enterprise Bonds:			
General obligation MBIA bonds	\$ <u><u>2,250,000</u></u>	2.5	11-17
 C. Capital Leases:			
Computer equipment	\$ 161,463	4.59	05-04
Imaging system	750,000	3.04	12-07
Copiers and fax	403,648	3.42	01-08
Road equipment	184,012	4	06-04
(6) fire trucks	650,000	2.82	10-08
Road equipment	885,054	2.94	06-04
Copy machine	<u>2,912</u>	7	05-06
 Total Capital Leases	 \$ <u><u>3,037,089</u></u>		
 D. Other Loans:			
MS Development Bank - \$15,000,000 authorized			
First drawdown	\$ 1,030,000	5	11-20
Second drawdown	1,825,663	5	07-20
Third drawdown	783,878	5	08-20
Fourth drawdown	2,349,284	5	07-22
Fifth drawdown	965,459	5	08-22
Sixth drawdown	1,506,465	5	02-23
Seventh drawdown	740,461	5	06-23
MS Development Bank - \$5,000,000			
First drawdown	211,156	5	03-24
Second drawdown	123,438	5	07-24
MS Development Authority - CAP Loan 0303	446,574	3	11-20
MS Development Authority - CAP Loan 0304	<u>446,575</u>	3	11-20
 Total Other Loans	 \$ <u><u>10,428,953</u></u>		
 E. Limited Obligation Note:			
MS Development Bank - correctional facility	\$ <u><u>7,970,000</u></u>	Variable	03-22

HARRISON 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:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>General Obligation Enterprise Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 3,770,000	3,020,938	150,000	54,375
2005	3,995,000	2,841,315	150,000	50,625
2006	4,610,000	2,660,008	150,000	46,875
2007	4,760,000	2,574,623	150,000	43,125
2008	5,015,000	2,383,286	150,000	39,375
2009 - 2013	24,995,000	8,193,065	750,000	35,625
2014 - 2018	16,090,000	3,240,512	750,000	31,875
2019 - 2023	8,310,000	907,347		
2024 - 2028	3,495,000	109,669		
Total	\$ <u>75,040,000</u>	<u>25,930,763</u>	<u>2,250,000</u>	<u>301,875</u>

<u>Year Ending September 30</u>	<u>Other Loans</u>		<u>Limited Obligation Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 557,402	351,860	260,000	91,245
2005	558,558	336,652	275,000	88,131
2006	560,340	321,478	285,000	84,873
2007	562,122	306,304	300,000	81,468
2008	563,904	291,133	315,000	77,890
2009 - 2013	2,846,250	1,229,226	1,835,000	329,045
2014 - 2018	2,890,800	847,638	2,355,000	207,774
2019 - 2023	1,889,577	391,431	2,345,000	56,242
Total	\$ <u>10,428,953</u>	<u>4,075,722</u>	<u>7,970,000</u>	<u>1,016,668</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 5.7% of the latest property assessments.

Advance Refunding - On April 15, 2003, the county issued \$6,770,000 in general obligation bonds with a variable interest rate to advance refund \$6,310,000 of the following outstanding bond issue:

<u>Issue</u>	<u>Average Interest Rate</u>	<u>Outstanding Amount Refunded</u>
General obligation convention center bonds	5.93	\$ <u>6,310,000</u>

HARRISON COUNTY

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

The net proceeds of \$6,475,200 (after payment of \$294,800 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Assets.

The county advance refunded the above bonds to restructure their debt. Economic gain (difference between the present values of the debt service payments on the old and new debt) was not considered in the issuance of the refunding bonds.

Prior Year Defeasance of Debt - In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the county's financial statements. On September 30, 2003, \$17,595,000 bonds outstanding were considered defeased.

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

	Balance Oct. 1, 2002	Additions	Reductions	Adjustments	Balance Sept. 30, 2003	Amount due within one year
Compensated absences	\$ 1,626,318	72,165			1,698,483	
Claims and judgments	1,093,931	8,314,172	8,040,483		1,367,620	1,367,620
General obligation bonds	64,805,000	19,295,000	2,750,000	(6,310,000)	75,040,000	3,770,000
General obligation enterprise bonds	3,520,000		1,270,000		2,250,000	150,000
Capital leases	1,046,360	2,748,908	758,179		3,037,089	959,148
Other loans	17,648,879	4,559,985	11,779,911		10,428,953	557,402
Limited obligation note	8,200,000		230,000		7,970,000	260,000
Total	\$ 97,940,488	34,990,230	24,828,573	(6,310,000)	101,792,145	7,064,170

(13) Contingencies.

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

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

HARRISON COUNTY

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

(14) 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 and notes	\$ <u>26,298,699</u>

(15) Joint Ventures.

The county participates in the following joint ventures:

Harrison County is a participant with the Cities of Gulfport, Biloxi, Pass Christian and D'Iberville in a joint venture, authorized by Section 39-3-8, Miss. Code Ann. (1972), to operate the Harrison County Library System. The joint venture was created to furnish Harrison County and the cities within Harrison County with library service and is governed by a board consisting of five members, with each entity appointing one member. By contractual agreement, the county's appropriation to the joint venture was \$975,941 in fiscal year 2003. Complete financial statements for the Harrison County Library System can be obtained from the Gulfport branch located at 1300 21st Avenue, Gulfport, Mississippi.

Harrison County is a participant with the Cities of Gulfport, Biloxi, Pass Christian, D'Iberville and Bay St. Louis in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Harrison County Wastewater and Solid Waste Management Authority. The joint venture was created to handle and dispose of solid waste within the county and the aforementioned cities and is governed by a board consisting of six members, with each entity appointing one member. The county's appropriation to the joint venture was \$2,640,915 in fiscal year 2003. Complete financial statements for the Harrison County Wastewater and Solid Waste Management Authority can be obtained from P.O. Box 2409, Gulfport, MS 39501.

Harrison County is a participant with the City of Gulfport in a joint venture, authorized by Section 41-13-15, Miss. Code Ann. (1972), to operate the Memorial Hospital at Gulfport. The joint venture was created to provide medical services for the residents of the metropolitan area and is governed by a board consisting of five members, with each entity appointing two members and the fifth member appointed alternately by the city and county. While the hospital is basically self-supporting, the city and county both approve the budget and both may issue debt for the hospital. Complete financial statements for the Memorial Hospital at Gulfport can be obtained from P.O. Box 1810, Gulfport, MS 39501.

Harrison County is a participant with the Cities of Gulfport and Biloxi in a joint venture, authorized by Section 61-3-7, Miss. Code Ann. (1972), to operate the Gulfport-Biloxi Regional Airport Authority. The joint venture was created to provide the Gulfport-Biloxi metropolitan area with air passenger and air freight facilities and is governed by a board consisting of three members, with each entity appointing one member. The county's appropriation to the joint venture was \$115,000 in fiscal year 2003. Complete financial statements for the Gulfport-Biloxi Regional Airport Authority can be obtained from P.O. Box 2127, Gulfport, MS 39501.

HARRISON COUNTY

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

(16) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Region XIII Commission for Mental Health and Mental Retardation operates in a district composed of the Counties of Hancock, Harrison, Pearl River and Stone. The governing body is a four-member board of commissioners, one appointed by the Board of Supervisors of each of the member counties. The county appropriated \$1,315,375 for support of the agency in fiscal year 2003.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Harrison County Board of Supervisors appoints one of the 27 members of the board of directors. The county contributes a small percentage of the district's total revenue.

Gulf Regional Planning and Development District operates in a district composed of the Counties of Hancock, Harrison and Jackson. The governing body is a nine-member board of directors, three appointed by the Board of Supervisors of each member county. The county contributes a small percentage of the district's total revenue.

Mississippi Gulf Coast Community College operates in a district composed of the Counties of George, Harrison, Jackson and Stone. The college's board of trustees is composed of 23 members, three each appointed by George and Stone Counties, eight each appointed by Harrison and Jackson Counties, and one appointed at large. The county appropriated \$5,887,419 for maintenance and support of the college in fiscal year 2003.

Gulf Coast Community Action Agency operates in the Counties of George, Greene, Hancock and Harrison. The agency's board is composed of 24 members, one each appointed by the Counties of George, Greene, Hancock and Harrison, and the Cities of Bay St. Louis, Biloxi, Gulfport and Pass Christian, with the remaining 16 appointed by the private sector. Most of the entity's funding comes through federal grants and the member governments provide only a modest amount of financial support when the grants require matching funds.

Mississippi Coast Transportation Authority operates along the Mississippi Gulf Coast. The authority is composed of the following six members: Harrison County and the Cities of Bay St. Louis, Biloxi, Gulfport, Ocean Springs and Pass Christian. The authority's board is composed of nine members, two each appointed by Harrison County and the Cities of Biloxi and Gulfport and one each appointed by the Cities of Bay St. Louis, Ocean Springs and Pass Christian. Very little financial support comes from the six member governments.

Harrison-Jackson County Emergency Medical Service District operates in a district composed of the Counties of Harrison and Jackson and the Cities of Biloxi, Gulfport and Ocean Springs. The district's board is composed of five members, one each appointed by each government. Each member government appropriates a modest amount of financial support to the district.

Harrison County Gulf Coast Business Corporation operates in Harrison County. The corporation's board is composed of 36 members, one appointed by the Board of Supervisors and 35 appointed by the chambers of commerce in the county. The county provides no financial support.

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15-member board of commissioners, one appointed by the Board of Supervisors of each of the member counties and one appointed at large. The counties generally provide no financial support to the organization.

HARRISON COUNTY

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

(17) Defined Benefit Pension Plan.

Plan Description. Harrison 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 \$2,323,141, \$2,228,072 and \$2,286,345, respectively, equal to the required contributions for each year.

(18) Other Information.

As a result of revenue shortfalls, the State Tax Commission had to withhold 7.95% of the March 2003 homestead exemption reimbursement from local governments. The amount withheld from Harrison County during the 2002-2003 fiscal year was \$96,421.

(19) Subsequent Events.

Subsequent to September 30, 2003, Harrison 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>
12-04-03	2.94	\$ 885,054	Lease purchase	Tax revenue
12-30-03	Variable	15,000,000	Bonds	Tax revenue
03-01-04	Variable	353,000	Loan	Tax revenue
05-10-04	Variable	549,893	Loan	Tax revenue

In June 2003, the Federal Emergency Management Agency disallowed \$1,723,666 of federal funds received by Harrison County related to FEMA Disaster No. 1251-DR-MS. The county has appealed this decision and the county's liability related to the disallowance cannot be determined at the date of the audit.

HARRISON COUNTY

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HARRISON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 28,114,831	28,408,764	28,380,857	(27,907)
Road and bridge privilege taxes	25,000	25,706	25,706	
Licenses, commissions and other revenue	2,387,200	2,511,159	2,648,910	137,751
Fines and forfeitures	1,492,800	1,492,800	1,565,572	72,772
Intergovernmental revenues	10,777,250	8,298,192	7,654,443	(643,749)
Charges for services		2,843,357	2,843,357	
Interest income	925,000	926,826	926,312	(514)
Miscellaneous revenues	1,221,500	2,603,545	2,838,258	234,713
Total Revenues	<u>44,943,581</u>	<u>47,110,349</u>	<u>46,883,415</u>	<u>(226,934)</u>
EXPENDITURES				
Current:				
General government	19,175,387	22,531,673	22,428,189	103,484
Public safety	17,757,808	18,495,782	18,481,344	14,438
Public works		42,334	41,767	567
Health and welfare	4,632,196	4,795,512	4,759,901	35,611
Culture and recreation	2,506,634	2,738,012	2,718,525	19,487
Conservation of natural resources	2,134,725	150,045	145,940	4,105
Economic development and assistance		1,920,287	1,912,705	7,582
Debt service:				
Principal		666,429	666,429	
Interest	1,876,316	1,101,790	204,797	896,993
Total Expenditures	<u>48,083,066</u>	<u>52,441,864</u>	<u>51,359,597</u>	<u>1,082,267</u>
Excess of Revenues over (under) Expenditures	<u>(3,139,485)</u>	<u>(5,331,515)</u>	<u>(4,476,182)</u>	<u>855,333</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued		1,004,062	1,004,062	
Transfers in	3,222,000	3,916,935	3,887,558	(29,377)
Transfers out	(430,756)	(1,193,702)	(1,165,896)	27,806
Other financing sources		623	1,623	1,000
Total Other Financing Sources and Uses	<u>2,791,244</u>	<u>3,727,918</u>	<u>3,727,347</u>	<u>(571)</u>
Net Change in Fund Balance	(348,241)	(1,603,597)	(748,835)	854,762
Fund Balances - Beginning	<u>5,765,161</u>	<u>5,765,161</u>	<u>7,126,894</u>	<u>1,361,733</u>
Fund Balances - Ending	<u>\$ 5,416,920</u>	<u>4,161,564</u>	<u>6,378,059</u>	<u>2,216,495</u>

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

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,594,589	4,594,589	4,603,274	8,685
Road and bridge privilege taxes	2,090,000	2,090,000	2,105,597	15,597
Licenses, commissions and other revenue	30,000	30,000		(30,000)
Intergovernmental revenues	1,907,000	1,907,000	1,898,184	(8,816)
Interest income	18,000	3,196	3,196	
Miscellaneous revenues	11,000	155,757	146,337	(9,420)
Total Revenues	<u>8,650,589</u>	<u>8,780,542</u>	<u>8,756,588</u>	<u>(23,954)</u>
EXPENDITURES				
Current:				
Public works	7,988,491	10,394,630	10,425,354	(30,724)
Debt service:				
Principal	658,830	300,359	300,359	
Interest		49,641	18,917	30,724
Total Expenditures	<u>8,647,321</u>	<u>10,744,630</u>	<u>10,744,630</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>3,268</u>	<u>(1,964,088)</u>	<u>(1,988,042)</u>	<u>(23,954)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued		386,905	386,905	
Total Other Financing Sources and Uses	<u>0</u>	<u>386,905</u>	<u>386,905</u>	<u>0</u>
Net Change in Fund Balance	3,268	(1,577,183)	(1,601,137)	(23,954)
Fund Balances - Beginning	<u>1,787,461</u>	<u>1,787,461</u>	<u>1,885,894</u>	<u>98,433</u>
Fund Balances - Ending	<u>\$ 1,790,729</u>	<u>210,278</u>	<u>284,757</u>	<u>74,479</u>

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

HARRISON COUNTY

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

Notes to the Required Supplementary Information

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).

HARRISON COUNTY

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

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

	Governmental Fund Types	
	General Fund	Road Fund
Budget (Cash Basis)	\$ (748,835)	(1,601,137)
Increase (Decrease)		
Net adjustments for revenue accruals	1,514,889	186,068
Net adjustments for expenditure accruals	(1,620,147)	93,163
GAAP Basis	<u>\$ (854,093)</u>	<u>(1,321,906)</u>

D. Excess of Actual Expenditures Over Budget in Individual Funds.

The following funds had an excess of actual expenditures over budget for the year ended September 30, 2003:

Fund	Excess
Special Revenue Funds:	
Public safety	\$ 41,493
Sheriff's forfeiture	64,693
Federal grant	59,490
MS development bank	39,635
MS development \$10M	517,770
Development bank jail repairs	144,451
Beach renourishment	198,231
Allied Enterprises	5,536
G.O. bond - Series 1998	24,706
Delisle capital project	14,268
Restricted for public works	13,015
MS development \$5M	81,182

All the funds listed above, are in violation of Section 19-11-17, Miss. Code Ann. (1972). However, the county has no liability associated with these violations.

HARRISON COUNTY

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HARRISON COUNTY

SUPPLEMENTAL INFORMATION

HARRISON 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 Labor/Passed-through the Mississippi Development Authority WIA adult program (Note B)	17.258	N/A	\$ <u>6,310,792</u>
U.S. Department of Transportation - Federal Highway Administration Motor carrier safety	20.217	N/A	<u>479,893</u>
Total Expenditures of Major Federal Awards			<u>6,790,685</u>
OTHER FEDERAL AWARDS			
Office of National Drug Control Policy - High intensity drug trafficking area (HIDTA)	07.UN	N/A	<u>80,297</u>
U.S. Department of Commerce - National Oceanic and Atmospheric Administration/Passed-through the Mississippi Department of Marine Resources Coastal zone management administration awards	11.419	N/A	<u>200,638</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program	14.228	99-024-ED-IF01	293,563
HOME investment partnerships program	14.239	64-000413	<u>18,836</u>
Total U.S. Department of Housing and Urban Development			<u>312,399</u>
U.S. Department of Justice - National institute for juvenile justice and delinquency prevention	16.542	N/A	25,299
Passed-through the Mississippi Department of Public Safety Violence against women formula grants	16.588	2001-WF-BX-0021	30,194
Office of Justice Programs Local law enforcement block grants program	16.592	2003-LB-BX-2606	57,240
Bulletproof vest partnership program	16.607	N/A	4,754
Community prosecution and project safe neighborhoods	16.609	2002-GP-CX-0109	72,660
Office of Community Oriented Policing Services Public safety partnership and community policing grants	16.710	2000SHWX0274	61,766
Passed-through the Mississippi Department of Public Safety Enforcing underage drinking laws program	16.727	01-AH-FX-0028	<u>10,000</u>
Total U.S. Department of Justice			<u>261,913</u>

HARRISON 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 Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	440
National Highway Traffic Safety Administration/ Passed-through Mississippi Department of Public Safety Alcohol traffic safety and drunk driving prevention incentive grants	20.601	3-J8-124-1	<u>89,048</u>
Total U.S. Department of Transportation			<u>89,488</u>
U.S. Department of Treasury - Gang resistance education and training	21.053	MS024000	<u>5,204</u>
Cooperation for National and Community Service - Retired and senior volunteer program	94.002	N\A	<u>62,862</u>
Department of Homeland Security/ Passed-through Mississippi Emergency Management Agency State domestic preparedness equipment support program	97.004	N\A	<u>60,011</u>
Flood mitigation assistance	97.029	FMA-PJ-04MS-2001006	141,610
Flood mitigation assistance	97.029	FMA-PJ-04MS-2001003	<u>47,587</u>
Subtotal			<u>189,197</u>
Public assistance grants	97.036	FEMA-1436-DR-MS	31,410
Public assistance grants	97.036	FEMA-3132-EM-MS	<u>6,003</u>
Subtotal			<u>37,413</u>
Hazard mitigation grant	97.039	1251-004	<u>51,462</u>
Total Department of Homeland Security			<u>338,083</u>
Total Expenditures of Other Federal Awards			<u>1,350,884</u>
Total Expenditures of Federal Awards			<u>\$ 8,141,569</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.

Note B - WIA adult program

Of the federal expenditures presented in the schedule, the county provided federal awards totaling \$6,310,792 to subrecipients during the year ended September 30, 2003.

HARRISON COUNTY

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HARRISON COUNTY

SPECIAL REPORTS

HARRISON 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
Harrison County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Harrison County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated May 19, 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 Harrison 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 immaterial instances of noncompliance which we have reported to the management of Harrison County, Mississippi, in the Independent Auditor's Report on Compliance with State Laws and Regulations and the Independent Auditor's Report on the Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated May 19, 2004, included within this document.

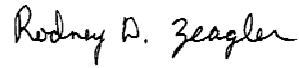
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Harrison 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations 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

May 19, 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
Harrison County, Mississippi

Compliance

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

In our opinion, Harrison 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

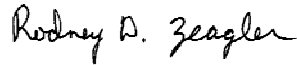
The management of Harrison County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Harrison County, 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

May 19, 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
Harrison County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Harrison 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 Harrison 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 Harrison 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. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Inventory Control Clerk.

Finding

Section 7-7-211, Miss. Code Ann. (1972), gives the Office of the State Auditor the authority to prescribe an accounting system for capital assets. The following deficiencies were noted in the capital asset records.

- a. The capital asset detail records do not include all information required by the *Mississippi County Financial Accounting Manual*.
- b. One item no longer owned by the county was still listed on the capital asset inventory listing.
- c. Some items were not marked properly with the county's name.

- d. Serial numbers were not included on the capital asset inventory listing for all items.
- e. Some equipment items have not been tagged with the county's inventory control number.

Recommendation

The Inventory Control Clerk should maintain capital asset records in accordance with the *Mississippi County Financial Accounting Manual*.

Inventory Control Clerk's Response

Through meetings with department heads, regular memos, and printing disbursements reports on a regular basis, the Inventory Control Clerk will bring the county's capital asset inventory records up to date. The Inventory Control Clerk will also do random spot checks to inspect equipment for proper markings and omitted items. Follow up will be done through e-mail and written memos to appropriate departments to ensure compliance with the *Mississippi County Financial Accounting Manual* for the above noted deficiencies.

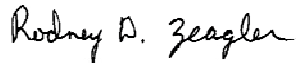
In our opinion, except for the noncompliance referred to in the preceding paragraph, Harrison County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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

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

May 19, 2004

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

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
10-28-02	2004 Ford F-750 truck	\$ 74,750	Watson Quality Ford	\$ 72,175	Transportation is not covered by warranty and the dealership is 250 miles away.

HARRISON 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>
01-07-03	Repairs	\$ 1,659	Bay Motor Winding	Heating/air conditioning motor had to be replaced quickly.
01-24-03	Repairs	3,814	Geiger Heat-AC	Replace rooftop air conditioner unit.
04-18-03	Towing & repairs	1,089	Jerry's Towing & Auto	Tow and repair vehicle.
05-14-03	Repairs	2,286	Butch Oustalet, Inc.	Repair to vehicle.
06-09-03	Repairs	1,067	Ball Heating & Air Conditioning	Repairs to air conditioning unit.
06-24-03	Repairs	4,750	Williams-Trane Service Co.	Restore air conditioning at courthouse.
06-24-03	Repairs	1,473	Rocky's Plumbing Service	Repairs to sewer lines.
07-11-03	Repairs	3,800	Competition Marine	Replace motor on marine patrol unit.
07-23-03	Repairs	1,091	Ball Heating & Air Conditioning	Replace external air conditioning motor.
09-15-03	Cleaning services	4,749	WPSCO Environmental Services	Clean up spilled paint.
09-26-03	Repairs	1,200	All American Towing Service	Tow and repair vehicle.
09-26-03	Repairs	1,212	All Safe Technologies, LLC	To repair shelter fire alarm.

HARRISON COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source

For the Year Ended September 30, 2003

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
01-06-03	River gauge data collection device	\$ 6,445	C. C. Lynch & Associates
01-13-03	Narcotics dog	6,800	US K9 Unlimited, Inc.
02-19-03	Lanier Advocate "V" recording system	3,186	Lanier Healthcare
03-24-03	Upgrade for life pack defibrillators	121,630	Medtronics Pyso-Control
04-07-03	Certified continuous forms	2,715	Walz Postal Solutions
05-05-03	Emergency rotating beacon	3,117	Response Technology Corp.

HARRISON 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
Harrison County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Harrison County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated May 19, 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 19-11-17, Miss. Code Ann. (1972), prohibits the incurring of expenditures in excess of the final budget as approved by the Board of Supervisors. Actual expenditures exceeded budgeted amounts in some of the funds.

Recommendation

The Board of Supervisors should not make expenditures in excess of budgeted amounts.

Board of Supervisors' Response

This has been corrected. In the future we will make amendments prior to the close of the fiscal year.

Sheriff.

2. Finding

As reported in prior years' audit reports, Section 19-25-74, Miss. Code Ann. (1972), requires the Sheriff to submit a meal log to the Board of Supervisors documenting all meals served to prisoners on a monthly basis. The Sheriff did not submit a copy of the meal log to the Board of Supervisors.

Recommendation

The Sheriff should submit a copy of the meal log to the Board of Supervisors each month.

Sheriff's Response

We will have in place, within 90 days, an inmate bar code system that will provide that information accumulation required by Section 19-25-74, Miss. Code Ann. (1974). This system will be shared and used in Harrison, Hancock and Jackson counties as part of the Automated System Project being implemented.

Circuit Clerk.

3. Finding

As reported in prior years' audit reports, Section 27-105-371, Miss. Code Ann. (1972), requires any unidentified cash on hand or in the bank to be settled into the General Fund of the county. At September 30, 2003, the Circuit Clerk had \$878,066 of unidentified cash in the criminal and civil clearing cash accounts.

Recommendation

The Circuit Clerk should analyze the bookkeeping errors that resulted in the accumulation of these unidentified funds and should promptly settle all funds that can be identified to the proper parties. For any unidentified balances, the Circuit Clerk should seek court authorization to settle unidentified cash into the General Fund of the county.

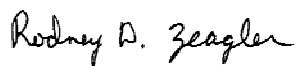
Circuit Clerk's Response

Some of the unidentified funds date back to Mr. Webb's term in 1992. Monies held in trust by the office have been determined to be held awaiting court disbursal orders, estimated cost of appeals not finalized and rule bonds not settled to appropriate parties to criminal cases. This office intends to identify the funds to the best of our ability and to make proper disbursal of them by May 15, 2004. In order to accomplish this disbursal of funds, appropriate court authority will be obtained.

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

May 19, 2004

HARRISON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HARRISON COUNTY

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HARRISON 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 weakness identified? | No |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | No |

Federal Awards:

- | | | |
|-----|---|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material 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. | WIA adult program, CFDA # 17.258 | |
| b. | Motor carrier safety, CFDA # 20.217 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.