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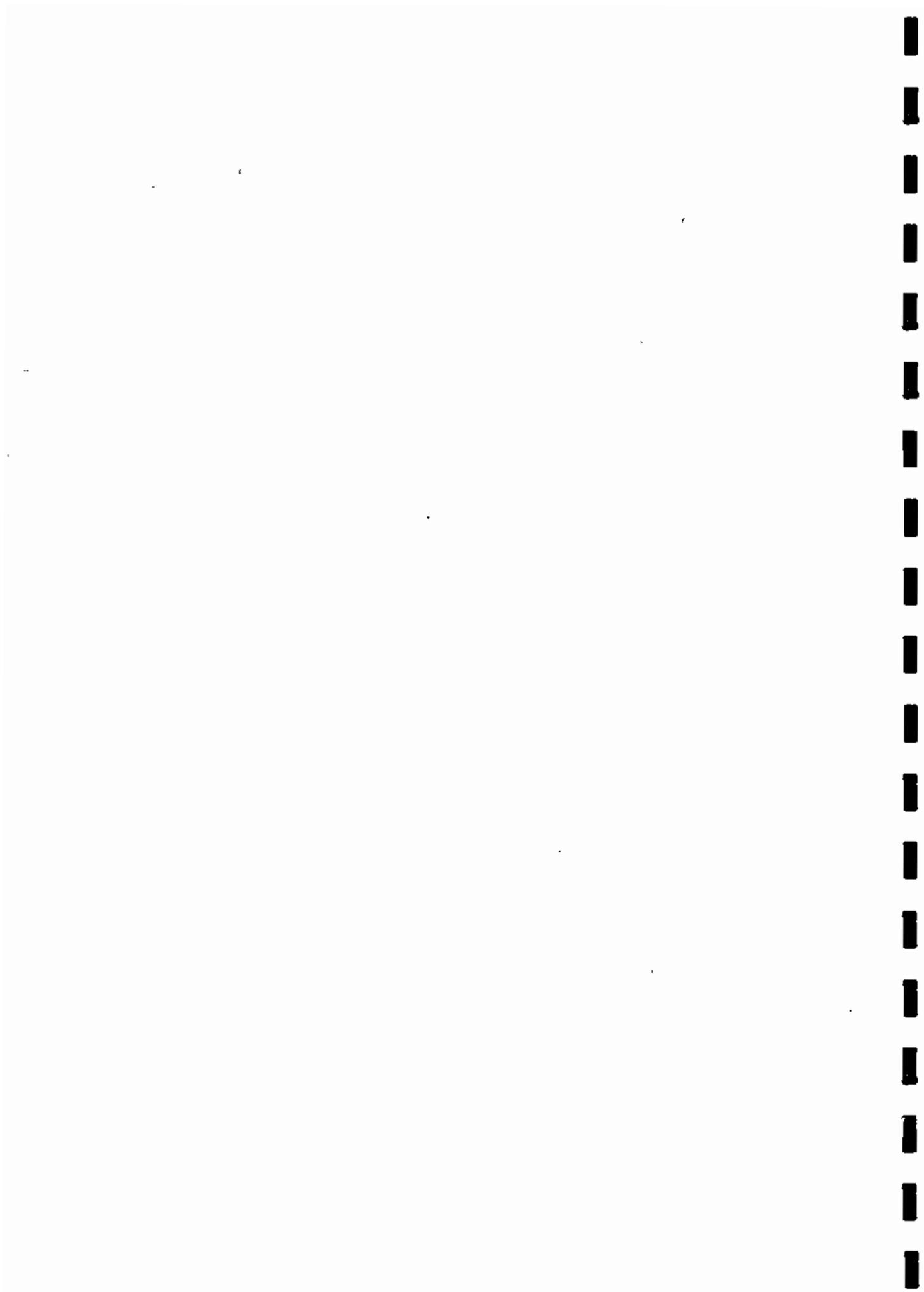
HARRISON COUNTY, MISSISSIPPI
Audited Financial Statements
and Special Reports
For the Year Ended September 30, 2015



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FINANCIAL SECTION



WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1929)

Certified Public Accountants

HANCOCK BANK BUILDING

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INDEPENDENT AUDITORS' REPORT

July 12, 2016

Members of the Board of Supervisors
Harrison County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Harrison County, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We audited the financial statements of Harrison County Development Commission and issued our report May 11, 2016, in which we issued unmodified opinions. Harrison County Development Commission represents 9 percent, 89 percent, and 3 percent, respectively, of the assets, net position, and revenues of the governmental activities.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on Governmental Activities and the General Fund

The County did not maintain an accurate aging of fines receivable of the Justice and Circuit Courts. Due to the lack of an accurate aging of accounts receivable, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported on the Statement of Net Position and the General Fund of \$6,410,794, as of September 30, 2015.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities and the General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of Harrison County, Mississippi, and its discretely presented component unit as of September 30, 2015, and the changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of County Port Bond and Interest Sinking Fund and the aggregate remaining fund information of Harrison County, Mississippi, as of September 30, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended September 30, 2015, and required the restatement of net position as discussed in Note 11 to the financial statements:

Statement No. 68 – *Accounting and Financial Reporting for Pensions*

Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*

Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

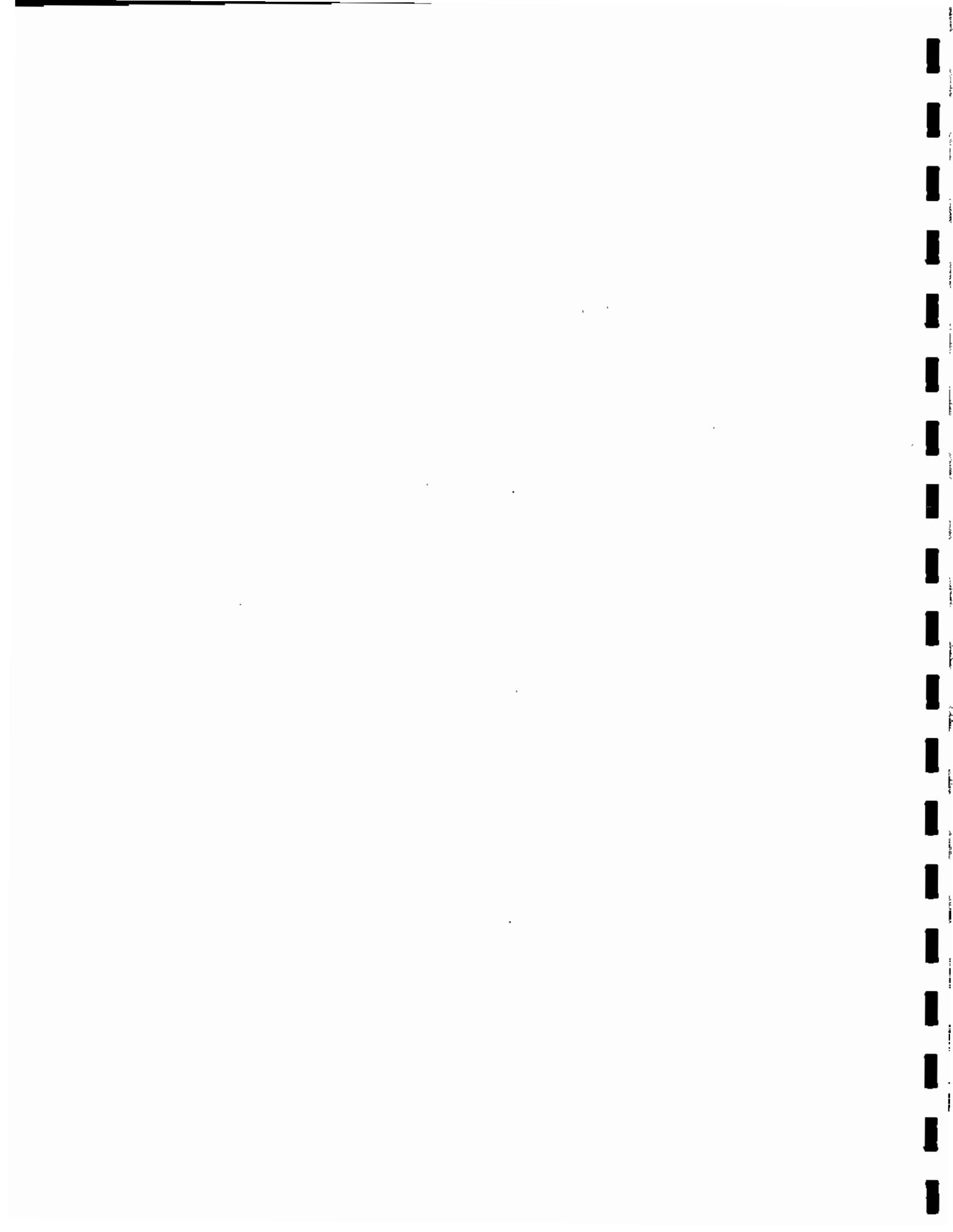
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harrison County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2016, on our consideration of Harrison County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Harrison County, Mississippi's internal control over financial reporting and compliance.

Walter Wood & Sons



MANAGEMENT'S DISCUSSION AND ANALYSIS



HARRISON COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2015
UNAUDITED

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, 2015. 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.

Harrison County is located on the Mississippi Gulf Coast. According to the United States Census Bureau, the estimated population of Harrison County as of July 1, 2015, is 201,410. The median household income is \$42,285 with over 85% of persons 25 years or older holding a high school degree or higher.

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. The County government ad valorem tax rate has increased an average of only less than 1 mil over the last five years. This does not include School tax increases.

Total net position decreased \$66,382,571, which represents a 101% decrease from the prior fiscal year. The reason for the large decrease is due to a prior period adjustment of \$70,211,719 triggered by the adoption of Governmental Auditing Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions* and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The adoption of this standard reduced the net position in fiscal year ended September 30, 2014, from \$65,508,587 to (\$873,984). The County's primary government's ending cash balance decreased by \$956,535, which represents a 1.4% decrease from the prior fiscal year.

The County's primary government had \$109,874,396 in total revenues. Tax revenues, including property taxes, road & bridge taxes, taxes in lieu-federal government and gaming taxes account for \$66,508,725 or 61% of total revenues. State and federal revenues in the form of reimbursements, shared revenue, operating and capital grants, account for \$24,037,344 or 22% of total revenues. Charges for services performed by the County account for \$13,553,531 or 12% of total revenues, and interest combined with other miscellaneous revenues account for the remaining \$5,774,796 or 5% of total revenues.

The County had \$106,045,248 in total primary government expenses, which represents an increase of \$3,525,097 or 3.4% increase from the prior fiscal year. Expenses in the amount of \$32,469,026 were offset by grants and charges for services. General revenues of the primary government of \$78,698,813 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$57,292,935 in revenues plus \$4,412,090 in transfers in, and \$61,255,146 in expenditures. The General Fund's fund balance increased \$449,879 over the prior year.

Capital assets of the primary government, net of accumulated depreciation, decreased by \$1,664,475 due primarily to additions of capital assets of \$4,947,728 and depreciation expense of \$6,455,200.

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Long-term debt of the primary government decreased by \$7,170,022 which includes payment of bonds, loans and leases in the amount of \$7,262,342, a decrease in compensated absences of \$20,303, and amortization of bond discounts and premiums and deferred amounts of refunding for a net amount of \$112,623.

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

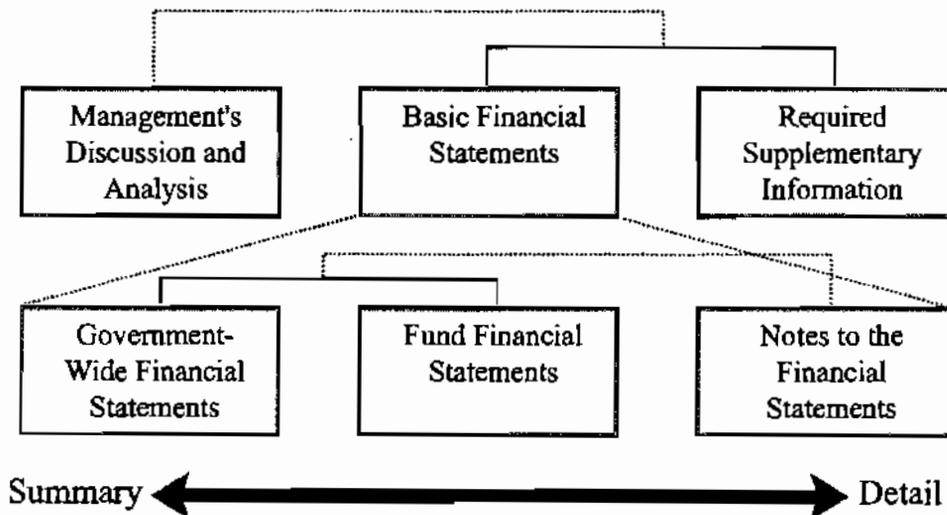


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

HARRISON COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2015
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Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

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

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

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

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

The **statement of activities** presents information showing how net 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). 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 assistance; and interest on long-term debt.

Component units are included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. The blended component units which are included in the County's primary government are as follows:

- Harrison County Emergency Communications Commission

The County has the following discretely presented component unit:

- Harrison County Development Commission

This discretely presented component unit is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the primary government.

The Government-wide Financial Statements can be found on pages 17-19 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.

HARRISON COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2015
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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*. 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 and 22, respectively.

Proprietary funds are maintained two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The County does not have enterprise funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its Self-Insurance Fund. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The County's internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. The proprietary funds financial statements can be found on pages 24-26 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 27 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 28-62 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 and pension standards.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund. This required supplementary information starts on page 63 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on pages 71-73 of this report.

HARRISON COUNTY, MISSISSIPPI
Management's Discussion and Analysis
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GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position – Net position may serve over time as a useful indicator of a government's financial position. In the case of Harrison County, liabilities and deferred inflows exceeded assets and deferred outflows by \$873,984 as of September 30, 2015.

By far, the largest portion of the County's net position \$75,982,380 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.

GASB 68 was implemented in fiscal year 2015. Prior year amounts in the following tables were not restated to reflect the implementation of GASB 68. In addition prior year amounts have been adjusted to show the reclassification of Other Post Employment Benefit Obligation from current liabilities to other noncurrent liabilities. The following table presents a summary of the County's net position for the fiscal year ended September 30, 2015.

Table 1
HARRISON COUNTY, MISSISSIPPI
Condensed Statement of Net Position
September 30, 2015 and 2014

	Primary Government Governmental Activities	
	2015	2014
Assets		
Current assets	\$ 133,893,930	\$ 133,572,102
Capital assets, net	162,147,038	163,811,513
Total Assets	<u>296,040,968</u>	<u>297,383,615</u>
Deferred Outflow of Resources	40,229,338	23,785,902
Liabilities		
Current liabilities	10,071,929	17,562,929
Long-term debt outstanding	165,705,839	165,870,272
Other noncurrent liabilities	80,392,901	1,316,346
Total Liabilities	<u>256,170,669</u>	<u>184,749,547</u>
Deferred Inflow of Resources	80,973,621	70,911,383
Net Position		
Net investment in capital assets	75,982,380	67,758,363
Restricted	53,299,932	54,002,981
Unrestricted	(130,156,296)	(56,252,757)
Total Net Position	<u>\$ (873,984)</u>	<u>\$ 65,508,587</u>

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Management's Discussion and Analysis
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Additional information on unrestricted net position:

In connection with the implantation of new standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (130,156,296)
Less unrestricted deficit in net position resulting from recognition of GASB 68 & 71	<u>72,288,525</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ (57,867,771)</u>

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

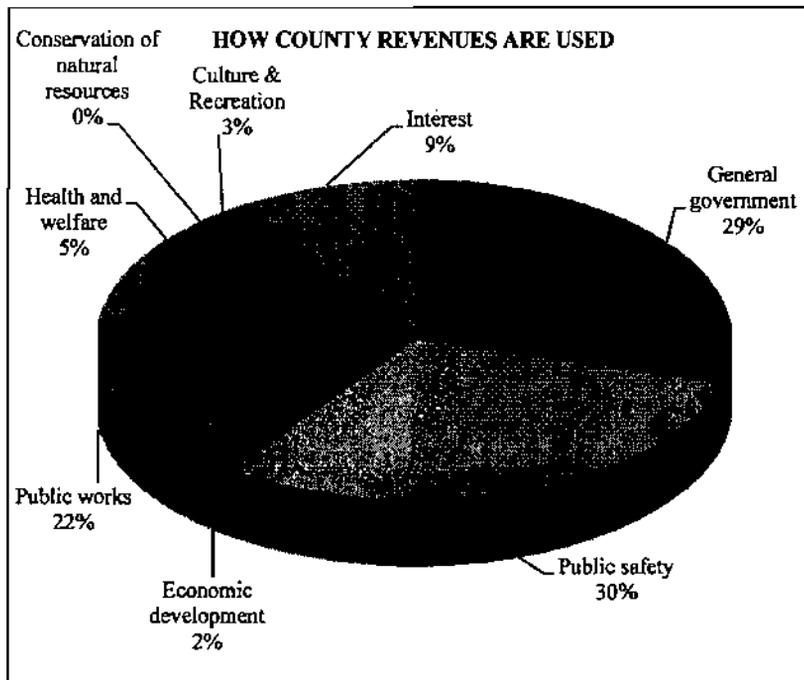
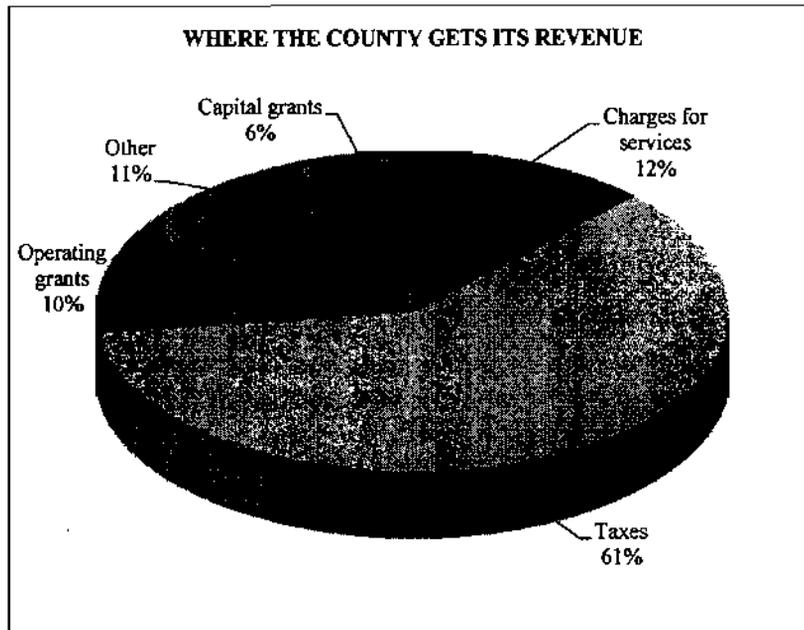
- The Board of Supervisors used accumulated cash balances to avoid tax increases.
- \$7,262,342 of long-term debt principal was retired, excluding compensating absences.
- Capital assets increased by \$4,947,728 primarily from construction in process.
- The implementation of GASB 68 and 71 resulted in the recognition of a net pension liability in the amount of \$78,835,943.

Changes in Net Position – Harrison County's total revenues in the primary government for the fiscal year ended September 30, 2015 were \$109,874,396. The total cost for all services provided by the primary government was \$106,045,248. The increase in net position was \$3,829,148. The following table presents a summary of the changes in net position for the fiscal year ended September 30, 2015.

Table 2
HARRISON COUNTY, MISSISSIPPI
Condensed Statement of Activities
For Year Ended September 30, 2015 and 2014

	2015	2014
Revenues		
Charges for services	\$ 13,553,531	\$ 9,747,168
Operation grants and contributions	11,366,290	10,274,952
Capital grants and contributions	6,255,762	8,981,527
General revenues	<u>78,698,813</u>	<u>79,007,261</u>
Total Revenues	<u>109,874,396</u>	<u>108,010,908</u>
Program Expenses		
General government	32,469,026	28,491,381
Public safety	32,617,691	32,877,380
Public works	22,789,161	19,214,611
Health and welfare	4,897,309	4,597,849
Culture and recreation	2,974,435	2,650,423
Conservation of natural resources	212,949	114,776
Economic development and assistance	1,871,498	5,126,422
Interest on long-term debt	<u>8,213,179</u>	<u>9,447,309</u>
Total Expenses	<u>106,045,248</u>	<u>102,520,151</u>
Change in Net Position	<u>3,829,148</u>	<u>5,490,757</u>
Beginning Net Position, as previously reported	65,508,587	60,017,830
Prior period adjustment	(70,211,719)	-
Beginning Net Position, restated	<u>(4,703,132)</u>	<u>60,017,830</u>
Ending Net Position	<u>\$ (873,984)</u>	<u>\$ 65,508,587</u>

HARRISON COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2015
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Governmental Activities – The following table presents the cost of seven major functional activities of the County: ~~General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation, Conservation of Natural Resources, Economic Development & Assistance, and Interest on Long-term Debt.~~

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

	<u>Total Costs</u>	<u>Net Costs</u>
Primary Governmental Activities:		
General Government	\$ 32,469,026	\$ (25,422,564)
Public Safety	32,617,691	(17,847,262)
Public Works	22,789,161	(15,781,455)
Health and Welfare	4,897,309	(4,213,332)
Culture and Recreation	2,974,435	(1,899,413)
Conservation of Natural Resources	212,949	147,310
Economic Development and Assistance	1,871,498	(1,639,770)
Interest on Long-term Debt	8,213,179	(8,213,179)

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 \$68,572,451, a decrease of \$201,521. The primary reasons for this decrease are highlighted in the analysis of governmental activities. In addition, others factors that affected ending fund balance include a decrease in intergovernmental revenues due to the completion of several on-going construction projects funded by capital grants. However, this decrease was offset by revenues received from the British Petroleum Oil Spill settlement received during the fiscal year.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$449,879. This increase was primarily due to additional funds received from judgements recovered.

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 to correct the estimated beginning fund balances made in the original budget to actual beginning fund balances on October 1.
- Budgeted revenue from intergovernmental revenues and charges for services were amended to account for increase in funding from grants and expected revenues increases for charges.
- Budgeted expenditures for general government expenditures were increased due increases caused by unforeseen circumstances.

Even with these adjustments, actual disbursements were below final budget amounts by \$4,235,057.

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

HARRISON COUNTY, MISSISSIPPI
Management's Discussion and Analysis
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UNAUDITED

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2015, Harrison County's total capital assets was \$309,402,054. 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 of \$3,661,256 from the previous year of \$305,740,798. The majority of this increase is due to additional capital assets purchased and constructed of \$4,947,728 and the deletion of \$1,286,472 of obsolete equipment.

Total accumulated depreciation as of September 30, 2015, was \$147,255,016, including \$6,455,200 of depreciation expense for the year. The balance in total net capital assets was \$162,147,038 at year-end.

Additional information on Harrison County's capital assets can be found in note 7 on page 40 of this report.

Debt Administration – At September 30, 2015, Harrison County had \$161,298,741 in long-term debt outstanding, net of discounts and premiums. There is also a deferred outflow associated with long-term debt in the amount of \$1,868,097. This includes general obligation bonds, revenue bonds, and obligations under capital lease. Of this debt, \$8,093,476 is due within one year.

Included in long-term non-capital debt is \$2,539,001 in compensated absences. This amount decreased \$20,303 from the prior year amount of \$2,559,304.

Harrison County maintains an AA- bond rating from Standard and Poors. The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County's outstanding debt associated with this limitation is \$159,165,000 or 7.9% of total assessed value.

Additional information on Harrison County's long-term debt can be found in note 12 on page 51 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

There is currently a major industry that plans to invest not less than \$68,000,000 and create 700 full-time jobs by no later than December 31, 2020, and with increases to 1,000 full-time jobs by December 31, 2025. While they have been given tax exemptions for County taxes, they will begin paying school taxes and there will be new jobs available to bring more people to the County. This provides for an increase in assessed values on the tax rolls and more revenue to the County.

Harrison County has an unemployment rate of 5.8% versus 6.8% a year ago. This compares favorably with the state average rate of 6.6%.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

Questions about this report or requests for additional financial information may be addressed to:

Jennifer Bell, Comptroller
Harrison County, Mississippi
P.O. Drawer CC
Gulfport, MS 39502

FINANCIAL STATEMENTS



HARRISON COUNTY, MISSISSIPPI
Statement of Net Position
September 30, 2015

Exhibit 1

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental</u>	<u>Harrison County</u>
	<u>Activities</u>	<u>Development</u>
		<u>Commission</u>
ASSETS		
Cash	\$ 69,188,847	\$ 4,082,607
Investments	-	3,659,200
Accrued interest receivable	3,889	-
Property tax receivable	50,990,710	-
Premium receivable	1,662,625	-
Fines receivable (net of allowance for uncollectible of \$24,395,335)	6,410,794	-
Loans receivable	380,286	-
Intergovernmental receivables	4,381,522	97,686
Other receivables	723,552	88,227
Land inventory	-	9,520,208
Prepaid expenses	151,705	16,228
Restricted assets:		
Cash	-	20,264
Land and construction in progress	18,123,223	6,324,266
Other capital assets, net	144,023,815	5,398,496
Total Assets	<u>296,040,968</u>	<u>29,207,182</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts on bond refunding	1,868,097	-
Deferred effective interest rate swaps	28,581,837	-
Deferred amounts on pension	9,779,404	164,941
Total Deferred Outflows of Resources	<u>40,229,338</u>	<u>164,941</u>

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

HARRISON COUNTY, MISSISSIPPI
Statement of Net Position
September 30, 2015

Exhibit 1

	Primary Government	Component Unit
	Governmental Activities	Harrison County Development Commission
LIABILITIES		
Claims payable	5,432,804	235,389
Wages payable	1,842,060	-
Claims and judgments payable	1,662,625	-
Retainage payable	133,979	-
Due to other governments	83,364	327
Accrued interest payable	472,747	7,171
Unearned revenue	444,350	6,432
Payable from restricted assets:		
Customer deposits	-	20,008
Long-term liabilities		
Other Postemployment benefit obligation	1,556,958	-
Net pension liability	78,835,943	920,680
Due within one year:		
Capital debt	8,035,822	85,554
Non-capital debt	57,654	23,827
Due in more than one year:		
Capital debt	78,983,582	440,760
Non-capital debt	78,628,781	23,674
Total Liabilities	<u>256,170,669</u>	<u>1,763,822</u>
DEFERRED INFLOWS OF RESOURCES		
Hedging derivative instruments	28,581,837	-
Deferred property tax revenue	49,159,798	-
Deferred amounts on pension	3,231,986	25,565
Total Deferred Inflows of Resources	<u>80,973,621</u>	<u>25,565</u>
NET POSITION		
Net investment in capital assets	75,982,380	11,196,448
Restricted:		
Nonexpendable	302,620	-
Expendable		
General government	3,096,908	-
Debt service	24,301,858	-
Public safety	9,500,502	-
Public works	10,816,696	-
Health and welfare	189,465	-
Conservation of natural resources	2,912	-
Economic development	347,645	-
Capital projects	4,741,326	-
Unrestricted	(130,156,296)	16,386,288
Total Net Position	<u>\$ (873,984)</u>	<u>\$ 27,582,736</u>

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

HARRISON COUNTY, MISSISSIPPI
 Statement of Activities
 For the Year Ended September 30, 2015

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	
					Governmental Activities	Harrison County Development Commission
Primary government:						
Governmental activities:						
General government	\$ 32,469,026	\$ 6,924,720	\$ 121,742	\$ -	\$ (25,422,564)	
Public safety	32,617,691	6,388,691	5,148,660	3,233,078	(17,847,262)	
Public works	22,789,161	240,120	3,818,350	2,949,236	(15,781,455)	
Health and welfare	4,897,309	-	610,529	73,448	(4,213,332)	
Culture and recreation	2,974,435	-	1,075,022	-	(1,899,413)	
Conservation of natural resources	212,949	-	360,259	-	147,310	
Economic development and assistance	1,871,498	-	231,728	-	(1,639,770)	
Interest on long-term debt	8,213,179	-	-	-	(8,213,179)	
Total Primary government	106,045,248	13,553,531	11,366,290	6,255,762	(74,869,665)	
Component unit:						
Governmental activities:						
Harrison County Development Commission	2,356,511	479,852	-	1,996,213	\$ 119,554	
Business-type activities:						
Harrison County Development Commission	669,557	689,304	-	-	19,747	
Total Component unit	3,026,068	1,169,156	-	1,996,213	139,301	
General revenues:						
Property taxes					58,136,330	
Road & bridge privilege taxes					2,313,130	
Taxes in lieu - federal government					52,905	
Occupancy taxes					-	
Gaming taxes					6,006,360	
Grants and contributions not restricted to specific programs					6,415,292	
Unrestricted gifts and donations					30,591	
Investment income					121,633	34,062
Miscellaneous					5,622,572	5,216
Total general revenues					78,698,813	39,278
Changes in net position					3,829,148	178,579
Net position - beginning, as previously reported					65,508,587	28,141,168
Prior period adjustment					(70,211,719)	(737,011)
Net position - beginning, as restated					(4,703,132)	27,404,157
Net position - ending					\$ (873,984)	\$ 27,582,736

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

HARRISON COUNTY, MISSISSIPPI
 Balance Sheet - Governmental Funds
 September 30, 2015

Exhibit J

	Major Funds			Total Governmental Funds
	General Fund	County Port Bond & Interest Sinking Fund	Other Governmental Funds	
ASSETS				
Cash	\$ 17,257,106	\$ 8,112,366	\$ 43,819,375	\$ 69,188,847
Accrued interest receivable	278	534	3,077	3,889
Property tax receivable	35,439,789	-	15,550,921	50,990,710
Fines receivable (net of allowance for uncollectible of \$ 27,652,712)	6,410,794	-	-	6,410,794
Loans receivable	318,158	-	62,128	380,286
Intergovernmental receivables	1,753,026	92,853	2,535,643	4,381,522
Other receivable	2,345	-	721,207	723,552
Due from other funds	-	5,037,640	-	5,037,640
Total Assets	61,181,496	13,243,393	62,692,351	137,117,240
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	3,977,824	-	1,454,980	5,432,804
Wages payable	1,448,885	-	393,175	1,842,060
Retainage payable	-	-	133,979	133,979
Intergovernmental payables	-	-	-	-
Due to other funds	465,479	-	4,655,525	5,121,004
Unearned revenue	-	-	444,350	444,350
Total Liabilities	5,892,188	-	7,082,009	12,974,197
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	33,608,877	-	15,550,921	49,159,798
Deferred court fine revenue	6,410,794	-	-	6,410,794
Total deferred inflows of resources	40,019,671	-	15,550,921	55,570,592
Fund balances:				
Nonspendable:				
Loans receivable	318,158	-	62,128	380,286
Unemployment escrow	-	-	88,787	88,787
Restricted for:				
Debt service	-	13,243,393	11,531,210	24,774,603
Capital projects	-	-	4,741,326	4,741,326
Committed to:				
Public safety	-	-	9,500,502	9,500,502
Public works	-	-	10,816,696	10,816,696
Health and welfare	-	-	189,465	189,465
Conservation of natural resources	-	-	2,912	2,912
Economic development	-	-	29,487	29,487
Assigned to:				
General government	-	-	3,096,908	3,096,908
Unassigned	14,951,479	-	-	14,951,479
Total Fund Balances	15,269,637	13,243,393	40,059,421	68,572,451
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 61,181,496	\$ 13,243,393	\$ 62,692,351	\$ 137,117,240

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

HARRISON COUNTY, MISSISSIPPI
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
 September 30, 2015

Exhibit 3-1

Total funds balance - Governmental Funds		\$ 68,572,451
Amounts reported for governmental activities in the statement of net position 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 \$147,255,016.		162,147,038
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		6,410,794
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(163,837,742)
Other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.		(1,556,958)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.		(78,835,943)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.		(472,747)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	9,779,404	
Deferred inflows of resources related to pensions	<u>(3,231,986)</u>	6,547,418
Deferred intflows or deterrer outflows from the changes in fair value on hedging derivative instruments are not due and payable in the current period and, therefore, not reported in the funds.		
Deferred effective interest rate swaps - outflows	28,581,837	
Derivative hedging instruments	<u>(28,581,837)</u>	-
Prepaid items, such as prepaid insurance, are accounted for as expenditures in the period of acquisition and, therefore are not reported in the funds.		<u>151,705</u>
Total Net Position - Governmental Activities		<u>\$ (873,984)</u>

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

HARRISON COUNTY, MISSISSIPPI
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2015

Exhibit 4

	Major Funds			Total Governmental Funds
	General Fund	County Port Bond & Interest Sinking Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 40,485,470	\$ -	\$ 17,650,860	\$ 58,136,330
Road and bridge privilege taxes	-	-	2,313,130	2,313,130
Licenses, commissions and other revenue	3,517,518	-	-	3,517,518
Fines and forfeitures	1,388,308	-	397,657	1,785,965
Intergovernmental revenues	8,176,328	2,120,330	17,924,157	28,220,815
Charges for services	2,511,380	-	4,370,994	6,882,374
Interest income	66,428	8,794	46,411	121,633
Miscellaneous revenues	1,147,503	-	4,432,580	5,580,083
Total Revenues	<u>57,292,935</u>	<u>2,129,124</u>	<u>47,135,789</u>	<u>106,557,848</u>
EXPENDITURES				
Current:				
General government	27,140,851	-	1,837,376	28,978,227
Public safety	25,456,032	-	4,814,041	30,270,073
Public works	49,847	-	23,583,692	23,633,539
Health and welfare	4,339,122	-	373,920	4,713,042
Culture and recreation	2,374,442	-	500,162	2,874,604
Conservation of natural resources	137,808	-	65,108	202,916
Economic development and assistance	876,740	-	1,207,622	2,084,362
Debt service:				
Principal	568,798	357,668	6,335,876	7,262,342
Interest	306,706	247,065	7,550,207	8,103,978
Other debt service costs	4,800	-	1,109,935	1,114,735
Total Expenditures	<u>61,255,146</u>	<u>604,733</u>	<u>47,377,939</u>	<u>109,237,818</u>
Excess of Revenues over/(under) Expenditures	<u>(3,962,211)</u>	<u>1,524,391</u>	<u>(242,150)</u>	<u>(2,679,970)</u>
OTHER FINANCING SOURCES (USES)				
Judgments recovered	-	-	2,478,449	2,478,449
Transfers in	4,412,090	-	-	4,412,090
Transfers out	-	(1,000,000)	(3,412,090)	(4,412,090)
Total Other Financing Sources and Uses	<u>4,412,090</u>	<u>(1,000,000)</u>	<u>(933,641)</u>	<u>2,478,449</u>
Net Changes in Fund Balances	449,879	524,391	(1,175,791)	(201,521)
Fund Balances - Beginning	14,819,758	12,719,002	41,235,212	68,773,972
Fund Balances - Ending	<u>\$ 15,269,637</u>	<u>\$ 13,243,393</u>	<u>\$ 40,059,421</u>	<u>\$ 68,572,451</u>

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

HARRISON COUNTY, MISSISSIPPI
 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, 2015

Exhibit 4-1

Net changes in fund balances -governmental funds \$ (201,521)

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 position differs from the change in fund balances by the amount that capital outlays of \$4,947,728 were exceeded by depreciation of \$6,455,200 in the current period. (1,507,472)

In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$157,003. (157,003)

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. 838,099

Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$7,262,342 exceeded debt proceeds of \$0. 7,262,342

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:

Increase in amortization of premium	175,503
Increase in amortization of discount	(24,216)
Increase in deferred amounts on refunding	(263,910)
Decrease in compensated absences	20,303
Increase in other post employment benefits payable	(240,612)
Decrease in accrued interest payable	3,420

Pension expense and other related activity do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

Pension expense	(3,233,195)
Contributions after the measurement date	1,156,390

Prepaid items, such as prepaid insurance, are accounted for as expenditures in the period of acquisition and, therefore, are not reported as such in the funds. 1,020

Change in net position of governmental activities \$ 3,829,148

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

HARRISON COUNTY, MISSISSIPPI
Statement of Net Position - Proprietary Fund
September 30, 2015

Exhibit 5

	Governmental Activities
	<u>Self-Insurance Internal Service Fund</u>
ASSETS	
Premiums receivable	\$ 1,662,625
Total Assets	<u>1,662,625</u>
LIABILITIES	
Cash Overdraft	229,172
Claims and judgments payable	<u>1,433,453</u>
Total Liabilities	<u>1,662,625</u>
NET POSITION	
Restricted for health insurance	<u>\$ -</u>

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

HARRISON COUNTY
Statement of Revenues, Expenses and Changes in
Net Position - Proprietary Fund
For the Year Ended September 30, 2015

Exhibit 6

	Governmental Activities
	Self-Insurance Internal Service Fund
OPERATING REVENUES	
Premiums	\$ 8,817,717
Total Revenues	<u>8,817,717</u>
OPERATING EXPENSES	
Claims payments	8,121,856
Administrative	695,861
Total Expenses	<u>8,817,717</u>
Changes in Net Position	-
Net Position - Beginning	-
Net Position - Ending	<u>\$ -</u>

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

HARRISON COUNTY, MISSISSIPPI
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2015

Exhibit 7

	Governmental Activities <hr/> Self-Insurance Internal Service Fund <hr/>
Cash Flows from Operating Activities	
Receipts for premiums	\$ 7,615,086
Payments for claims	(7,445,324)
Payments to administrator for services	(649,323)
Net Cash Used in Operating Activities	<hr/> (479,561) <hr/>
Net Decrease in Cash and Cash Equivalents	(479,561)
Cash and Cash Equivalents at Beginning of Year	<hr/> 250,389 <hr/>
Cash and Cash Equivalents (Overdraft) at End of Year	<hr/> <u>\$ (229,172)</u> <hr/>
Operating income (loss)	\$ -
(Increase) in premium receivable	(1,202,631)
Increase in claims and judgments liability	723,070
Total adjustments	<hr/> <u>\$ (479,561)</u> <hr/>

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

HARRISON COUNTY, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
September 30, 2015

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 3,160,490
Accrued interest receivable	112
Due from other funds	<u>90,864</u>
Total Assets	<u><u>3,251,466</u></u>
LIABILITIES	
Intergovernmental payables	43,308
Due to other funds	7,500
Amounts held in custody for others	<u>3,200,658</u>
Total Liabilities	<u><u>\$ 3,251,466</u></u>

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

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(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.

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. Component Units

Blended Component Unit

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

Harrison County Emergency Communications Commission was formed in 1984 along with the Harrison County Emergency Communications District. The Commission's purpose is to govern the affairs of the Emergency Communications District and to develop and implement a countywide interoperable public safety communications system for city and county public safety agencies in Harrison County.

Discretely Presented Component Unit

The component unit column in the financial statements includes the financial data of the following component unit of the County. It is reported in a separate column to emphasize that it is legally separate from the County.

Harrison County Development Commission was created in 1958 to engage in promoting, developing, constructing, maintaining, and operating harbors, seaports, and industrial parks and developing commercial, industrial and manufacturing enterprises for the encouragement of employment within the boundaries of Harrison County, Mississippi. Harrison County appoints five of the twelve commissioners of the component unit. The separately issued financial statements of the Commission can be obtained by calling (228) 896-5020.

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(1) Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities and fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government and component unit. 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. The primary government is reported separately from its legally separate component unit for which the primary government is financially accountable.

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

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental, proprietary 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 as Other Governmental Funds.

D. Measurement Focus and Basis of Accounting

The Government-wide, Proprietary Fund and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(1) Summary of Significant Accounting Policies (Continued)

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

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Funds:

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

County Port Bond and Interest Sinking Fund - This fund, along with others, is used to account for the County's revenues and expenditures restricted, committed or assigned to the repayment of the County's port principal, interest and other debt related costs.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

PROPRIETARY FUND TYPE

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

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(1) Summary of Significant Accounting Policies (Continued)

FIDUCIARY FUND TYPE

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

E. Account Classifications

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

F. Deposits and Investments

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

Cash includes cash on hand, demand deposits, and 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.

G. Receivables

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

H. Interfund Transactions and Balances

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

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

J. Restricted Assets

Proprietary Fund and component unit assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(1) Summary of Significant Accounting Policies (Continued)

K. 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 statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, 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.

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 and estimated useful lives:

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

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

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then.

Deferred amount on refunding – For current refunding's and advance refunding's resulting in defeasance of debt reported by governmental activities, business type activities, and proprietary funds, the difference between reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(1) Summary of Significant Accounting Policies (Continued)

Deferred effective interest rate swaps – Interest rate swaps are a type of derivative agreement to exchange future cash flows that has a variable payment based on an underlying interest rate or index on certain outstanding bond issues of the County. Increases or decreases in the fair value of the effective swaps are recognized as deferred outflows or inflows in the statement of financial position.

Deferred outflows related to pensions – This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 11 for additional details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Hedging derivative instruments – Derivative instruments are associated with a hedgeable item, such as bonded debt, and are used to significantly reduce financial risk by substantially offsetting changes in cash flows or fair values of the bonded debt. Increases or decreased in the fair value of hedging derivative instruments are recognized as deferred outflows or inflows in the statement of financial position.

Property tax for future reporting period/unavailable revenue – property taxes - Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Unavailable revenue – fines – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

Deferred inflows related to pensions – This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 11 for additional details.

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. 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

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(I) Summary of Significant Accounting Policies (Continued)

liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

O. Derivatives

The County uses interest rate swaps, which are recorded based on criteria set forth in GASB 53, to manage net exposure to interest rate changes related to its borrowings and to lower its overall borrowing costs. The derivative instruments are recorded as either deferred outflows or inflows of resources in the Statement of Net Position at fair value.

Gains and losses resulting from terminations of swaps, when they occur, are recognized as a component of other financing sources and uses in the accompanying Statements of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds. Increases or decreases in the fair value of effective swaps are recognized as deferred effective interest rate swap inflows or outflows in the accompanying Statement of Net Position. Gains and losses resulting from changes in the fair value of ineffective swaps are recognized as an investment income in the accompanying Statement of Activities.

P. Equity Classifications

Government-wide Financial Statements:

Equity is classified as Net Position for the primary government and its discretely presented component unit and is displayed in the following three components:

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

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

Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets."

Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first.

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

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(1) Summary of Significant Accounting Policies (Continued)

Fund Financial Statements:

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

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

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund. As of September 30, 2015, the County has a Nonspendable fund balance in the amount of \$469,073, consisting of an unemployment escrow and loans receivable.

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

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Supervisors, the County's highest level of decision-making authority. This formal action is an order of the Board of Supervisors as approved in the board minutes.

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

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

When expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first.

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

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(1) Summary of Significant Accounting Policies (Continued)

Q. Property Tax Revenues

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

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

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

R. 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.

S. 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.

T. Changes in Accounting Standards

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*; GASB Statement No. 69, *Government Combinations and Disposal of Government Operations*; GASB Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The provisions of these standards have been incorporated into the financial statements and notes.

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(1) Summary of Significant Accounting Policies (Continued)

In 2015, GASB issued Statement No. 72 – *Fair Value Measurement and Application* and Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. These statements are effective for financial statements for periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of these statements on the County's financial statements.

(2) Prior Period Adjustments/Restatement

A summary of the significant fund equity adjustment is as follows:

Exhibit 2 – Statement of Activities-Primary Government

Explanation	
Implementation of GASB Statement No. 68 and 71:	
Net pension liability (measurement date)	\$ (61,904,662)
Deferred outflows from amounts on pensions	965,695
Deferred inflows from amounts on pensions	(10,409,883)
Contributions made subsequent to the measurement date (July 1, 2014 - Sept. 30, 2014)	1,137,131
Total prior period adjustments	<u>\$ (70,211,719)</u>

(3) Deposits and Investments

The carrying amount of the County's total deposits with financial institutions at September 30, 2015, for the primary government – governmental activities was \$69,188,847 and the agency funds was \$3,160,490 and the bank balance was \$79,107,487. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

The carrying amount of the discretely presented component unit's, Harrison County Development Commission, total deposits with financial institutions at September 30, 2015, was \$4,102,871, and the bank was \$4,135,919, of which all was insured or collateralized. The funds are collateralized under the same program as the County's funds above.

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

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(3) Deposits and Investments (Continued)

The County had no investments at the fiscal year-end. At September 30, 2015, the discretely presented component unit held the following certificates of deposit with original maturity dates of longer than three months:

	Balance October 1, 2014	Additions	Maturities	Balance September 30, 2015
<u>Governmental Activities</u>				
Peoples Bank .20% interest, matures November 18, 2014	\$ 1,564,643	\$ -	\$1,564,643	\$ -
Charter Bank .53% interest, matures November 25, 2014	1,000,000	-	1,000,000	-
Charter Bank .47% interest, matures January 27, 2015	2,362,387	-	2,362,387	-
Charter Bank .57% interest, matures November 25, 2016	-	1,005,300	-	1,005,300
Charter Bank .50% interest, matures January 27, 2016	-	2,362,387	-	2,362,387
Total	<u>4,927,030</u>	<u>3,367,687</u>	<u>4,927,030</u>	<u>3,367,687</u>
<u>Business-type Activities</u>				
Charter Bank .57% interest, matures July 20, 2015	289,857	1,656	291,513	-
Charter Bank .50% interest, matures July 20, 2016	-	291,513	-	291,513
	<u>289,857</u>	<u>293,169</u>	<u>291,513</u>	<u>291,513</u>
Total Component Unit	<u>\$ 5,216,887</u>	<u>\$3,660,856</u>	<u>\$5,218,543</u>	<u>\$ 3,659,200</u>

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

Credit Risk - State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The County does not have a formal investment policy that would further limit its investments choice or one that address credit risk. Credit risk can be measured by actual market value exposure or theoretical exposure.

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(4) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2015:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
County Port Bond & Interest Sinking Fund	General Fund	\$ 374,615
County Port Bond & Interest Sinking Fund	Other Governmental Funds	4,655,525
County Port Bond & Interest Sinking Fund	Agency Fund	7,500
Agency Fund	General Fund	90,864
Total		<u>\$ 5,128,504</u>

The receivables represent the tax revenue collected but not settled until October, 2015, along with temporary cash loans for grants receivable. All interfund balances are expected to be repaid within one year from the date of the financial statements.

Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	County Port Bond & Interest Sinking Fund	\$ 1,000,000
General Fund	Other Governmental Funds	3,412,090
		<u>\$ 4,412,090</u>

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

(5) Intergovernmental Receivables

Intergovernmental receivables for the governmental activities at September 30, 2015, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 1,121,730
Occupancy tax	323,870
Seawall tax	278,559
Gaming	395,031
Community Development Block grant	143,080
Coastal Impact Assistance grants	441,249
State and community public safety grants	86,795
Federal Emergency Management Agency grants	1,171,094
Health and Welfare grants	156,444
Environmental Quality grants	30,234
Development Infrastructure grant	153,549
Tidelands grants	79,887
Total Governmental Activities	<u>\$ 4,381,522</u>

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(6) Loans Receivable

Loans receivable for balances for governmental activities at September 30, 2015, are as follows:

Description of Loan	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
West Harrison Water and Sewer	2/1/1998	N/A	N/A	\$ 15,000
Harrison County Development Commission	12/1/2000	3.00%	11/1/2020	159,079
Harrison County Development Commission	12/1/2000	3.00%	11/1/2020	159,079
East Central Harrison County Public Utility District	5/1/2009	6.00%	5/1/2024	47,128
Total				\$ 380,286

(7) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2015:

	Balance Oct. 1, 2014	Additions	Deletions	Balance Sept. 30, 2015
Non-depreciable capital assets:				
Land	\$ 7,260,839	\$ 19,900	\$ -	\$ 7,280,739
Construction in progress	<u>9,281,769</u>	<u>3,958,768</u>	<u>2,398,053</u>	<u>10,842,484</u>
Total non-depreciable capital assets	<u>16,542,608</u>	<u>3,978,668</u>	<u>2,398,053</u>	<u>18,123,223</u>
Depreciable capital assets:				
Buildings	95,178,635	1,105,351	-	96,283,986
Improvements other than buildings	46,096,930	1,257,329	-	47,354,259
Mobile equipment	27,654,687	654,878	1,176,083	27,133,482
Furniture & equipment	4,085,464	349,555	104,812	4,330,207
Infrastructure	114,559,421	-	-	114,559,421
Leased property under capital leases	<u>1,623,053</u>	<u>-</u>	<u>5,577</u>	<u>1,617,476</u>
Total depreciable capital assets	<u>289,198,190</u>	<u>3,367,113</u>	<u>1,286,472</u>	<u>291,278,831</u>
Less accumulated depreciation for:				
Buildings	22,993,463	1,921,844	-	24,915,307
Improvements other than buildings	23,096,512	1,522,024	-	24,618,536
Mobile equipment	21,936,385	1,255,421	1,019,235	22,172,571
Other furniture & equipment	2,860,529	501,057	108,226	3,253,360
Infrastructure	70,496,645	1,019,674	-	71,516,319
Leased property under capital leases	<u>545,751</u>	<u>235,180</u>	<u>2,008</u>	<u>778,923</u>
Total accumulated depreciation	<u>141,929,285</u>	<u>6,455,200</u>	<u>1,129,469</u>	<u>147,255,016</u>
Total depreciable capital assets, net	<u>147,268,905</u>	<u>(3,088,087)</u>	<u>157,003</u>	<u>144,023,815</u>
Governmental activities capital assets, net	<u>\$ 163,811,513</u>	<u>\$ 890,581</u>	<u>\$ 2,555,056</u>	<u>\$ 162,147,038</u>

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(7) Capital Assets (Continued)

Depreciation expense was charged to the following functions:

General government	\$ 1,725,202
Public safety	2,023,102
Public works	2,389,205
Health & welfare	95,975
Culture and recreation	168,530
Conservation of natural resources	5,468
Economic Development	47,718
Total governmental activities depreciation expense	<u>\$ 6,455,200</u>

Commitments with respect to unfinished capital projects at September 30, 2015, consisted of the following:

Project Description	Remaining Financial Commitment	Expected date of completion
Canal Road Sewer	\$ 22,041	June 2016
Pineville Community Sewer Collection System	4,169,834	September 2016
Tuxachanie Sewer Collection System	423,067	June 2016
Miscellaneous improvement projects	126,384	Various

As of September 30, 2015, the County had the following commitments:

On October 1, 1999, the Harrison County Board of Supervisors entered into a pledge agreement with the City of Biloxi to finance the City's Tax Increment Limited Obligation Bonds. The bonds were issued for a traffic flow and thoroughfare improvement plan project. The County pledged to provide annual payments equal to the lesser of (a) \$1,200,000 per year or (b) one-half the debt service on the City's Tax Increment Limited Obligation Bonds. The County's payments are paid annually from the revenues generated by tax increment financing.

On September 8, 1998, the Harrison County Board of Supervisors entered into a tax pledge agreement with the City of D'Iberville to finance the City's Tax Increment Limited Obligation Bonds for the purpose of financing the City's Interstate 110/Interstate 10 capital improvement project in the amount of \$1,135,000. The County pledged an amount sufficient to pay the principal and interest on the bond issue.

The agreement was amended on July 7, 2003, to include the addition of \$3,200,000 in bonds. The County pledged an amount sufficient to pay the principal and interest on \$1,000,000 of the additional bonds. The County's payments are paid annually from the revenues generated by tax increment financing.

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(7) Capital Assets (Continued)

On March 10, 2008, the Harrison County Board of Supervisors entered into a tax pledge agreement with the City of D'Iberville to finance the City's Tax Increment Limited Obligation Bonds for the purpose of construction, operation, maintenance, and funding of public infrastructure improvements related to the Gulf Coast Promenade Project in the amount of \$13,250,000. The 2008 bonds were refunded on January 15, 2013, for \$11,000,000 and have a varying interest rate of 2.0-4.75% with principal maturing April 2033. The principal and interest on the tax increment financing bond is paid from the increase in sales tax revenue that is generated from the developed area by the City. The County's payments are paid annually from the revenues generated by tax increment financing.

Below is the schedule of Capital Assets for Harrison County Development Commission (A Component Unit of Harrison County, Mississippi) for the year ended September 30, 2015:

	Balance Oct. 1, 2014	Additions	Deletions	Balance Sept. 30, 2015
Governmental activities				
Non-depreciable capital assets:				
Land	\$ 709,430	\$ -	\$ -	\$ 709,430
Construction in progress	3,056,088	2,558,747	-	5,614,835
Total non-depreciable capital assets	<u>3,765,518</u>	<u>2,558,747</u>	<u>-</u>	<u>6,324,265</u>
Depreciable capital assets:				
Buildings and improvements	3,906,996	-	-	3,906,996
Infrastructure	4,132,766	-	-	4,132,766
Machinery and equipment	259,121	-	(29,738)	229,383
Total depreciable capital assets	<u>8,298,883</u>	<u>-</u>	<u>(29,738)</u>	<u>8,269,145</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,171,610)	(84,159)	-	(1,255,769)
Infrastructure	(2,314,428)	(130,186)	-	(2,444,614)
Machinery and equipment	(198,714)	(23,327)	29,738	(192,303)
Total accumulated depreciation	<u>(3,684,752)</u>	<u>(237,672)</u>	<u>29,738</u>	<u>(3,892,686)</u>
Total depreciable capital assets, net	4,614,131	(237,672)	-	4,376,459
Governmental activities capital assets, net	<u>\$ 8,379,649</u>	<u>\$ 2,321,075</u>	<u>\$ -</u>	<u>\$ 10,700,724</u>
Business-type activities				
Depreciable capital assets:				
Water and sewer treatment plant	\$ 1,743,875	\$ -	\$ -	\$ 1,743,875
Machinery and equipment	39,309	-	-	39,309
Total depreciable capital assets	<u>1,783,184</u>	<u>-</u>	<u>-</u>	<u>1,783,184</u>
Less accumulated depreciation for:				
Water and sewer treatment plant	(680,036)	(52,635)	-	(732,671)
Machinery and equipment	(26,785)	(1,690)	-	(28,475)
Total accumulated depreciation	<u>(706,821)</u>	<u>(54,325)</u>	<u>-</u>	<u>(761,146)</u>
Business-type activities capital assets, net	<u>\$ 1,076,363</u>	<u>\$ (54,325)</u>	<u>\$ -</u>	<u>\$ 1,022,038</u>

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(7) Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Economic development	<u>\$ 237,672</u>
Business-type activities:	
Water and sewer	<u>\$ 54,325</u>

(8) 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 \$1,000,000 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, 2015, to January 1, 2016. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The County is exposed to risk of loss relating to employee health, accident and dental coverage. Beginning in 2002 and pursuant to Section 25-15-101, Miss. Code Ann. (1972), the County established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss. Under the plan, amounts payable to the risk management fund are based on actuarial estimates. Each employee pays a portion of his/her premium through a payroll deduction. Harrison County pays the remaining portion of the premium on a single coverage policy for its respective employees. Employees desiring additional and/or dependent coverage pay the additional premium through a payroll deduction. Premium payments to the risk management fund are determined on an actuarial basis. The County has minimum uninsured risk retention to the extent that actual claims submitted exceed the predetermined premium. The County has implemented the following plans to minimize this potential loss:

The County has purchased coinsurance which functions on specific stop loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$250,000.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At September 30, 2015, the amount of this liability was \$1,433,453.

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(8) Claims and Judgments (Continued)

An analysis of claims activities is presented below:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2012-2013	\$ 363,842	\$ 7,720,414	\$ 7,219,250	\$ 865,006
2103-2014	865,006	6,296,307	6,450,930	710,383
2014-2015	710,383	8,168,394	7,216,152	1,662,625

(9) Capital Leases

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2015:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,022,550
Furniture and equipment	594,926
Total	1,617,476
Less: accumulated depreciation	778,923
Leased property under capital leases	<u>\$ 838,553</u>

The following is a schedule by years of the total payments due as of September 30, 2015:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 350,822	\$ 19,271
2017	358,355	11,738
2018	304,526	4,339
	<u>\$ 1,013,703</u>	<u>\$ 35,348</u>

(10) Other Postemployment Benefits

Plan Description

The Harrison County Board of Supervisors administers the County's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County's health insurance plan may be amended by the Harrison County Board of Supervisors. The County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. Effective October 1, 2008, the County implemented GASB Statement 45 prospectively, which requires reporting on an accrual basis the liability associated with other postemployment benefits. The County does not issue a publically available report for the Plan.

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(10) Other Postemployment Benefits (Continued)

Funding Policy

Employees' premiums are funded by the County with additional funding provided by retired employees and by active employees for spouse and dependent medical coverage. The Plan is financed on a pay-as-you-go basis. The Board of Supervisors, acting in conjunction with the commercial insurance company, has the sole authority for setting health insurance premiums for the County's health insurance plan.

Per Section 25-15-103, Mississippi Code Ann. (1972), any retired employee electing to purchase retiree health insurance must pay the full cost of the insurance premium monthly to the County. For the year ended September 30, 2015, retiree premiums range from \$486 to \$765 depending on dependent coverage and Medicare eligibility.

Actuarial Valuation

The County's Health Insurance Plan's Report of the Actuary on the Other Postemployment Benefits Valuation was prepared as of October 1, 2015. The plan has an actuarial valuation performed bi-annually in order to be in compliance with GASB Statement 45.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC was determined assuming the plan would fund the OPEB liability on a pay-as-you-go basis. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC of \$287,184 is 1.1 percent of annual covered payroll.

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for the fiscal year 2015:

Annual required contribution	\$	287,184
Interest on prior year net OPEB obligation		59,236
Adjustment to annual required contribution		<u>(66,078)</u>
Annual OPEB cost		280,342
Contributions made		<u>39,730</u>
Increase in net OPEB obligation		240,612
Net OPEB obligation - Beginning of year		<u>1,316,346</u>
Net OPEB obligation - End of year	\$	<u><u>1,556,958</u></u>

The following table provides for the County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2015:

	Annual OPEB Cost	Percentage of Annual	Net OPEB Obligation
2015	\$280,342	14.17%	\$1,556,958

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(10) Other Postemployment Benefits (Continued)

Funding Status and Funding Progress

The following table provides funding information for the most recent actuarial valuation date:

Actuarial Valuation Date	October 1, 2015
Actuarial Value of Plan Assets	\$ -
Actuarial Accrued Liability (AAL) Entry Age Normal	2,537,421
Unfunded AAL (UAAL)	2,537,421
Funded Ratio	0.0%
Annual Covered Payroll	26,140,655
UAAL as a Percentage of Annual Covered Payroll	9.71%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Actuarial Valuation Date	October 1, 2015	Actuarial assumptions:	
Actuarial cost method	Entry age normal	Investment rate of return*	4.50%
Amortization method	Level percentage, closed basis	Projected salary increases **	2.00%
Remaining amortization period	30 years	Healthcare cost trend rate*	7.00%
Asset valuation method	N/A	Ultimate trend rate	5.00%
		Year of ultimate trend rate	2020
		*Includes inflation at	0.00%
		**Includes wage inflation at	2.00%

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(11) Defined Benefit Pension Plan

Plan Description. Harrison County, Mississippi and its discretely presented component unit contribute 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.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2015, PERS members were required to contribute 9% of their annual covered salary, and the employers are required to contribute at an actuarially determined rate. The employer's rate at September 30, 2015, was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS in the governmental activities for the years ending September 30, 2015, 2014, and 2013, were \$4,996,050, \$5,008,708, and \$4,585,433 respectively, equal to the required contributions for each year. The discretely presented component unit's, the Commission's, contributions (employer share only) to PERS in the governmental activities for the years ending September 30, 2015, 2014, and 2013, were \$60,862, \$45,677, and \$46,303, respectively, equal to the required contributions for each year.

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(11) Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the County and Commission reported a liability of \$78,835,943 and \$920,680, respectively, for their proportionate share of the net pension liability in the governmental activities. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Both the County's and Commission's proportion of the net pension liability was based on a projection of their respective long-term share of contributions to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the County's proportion was .51 percent, which was a decrease of .01 percent from its proportion measured as of June 30, 2014, and the Commission's proportion was .006%, which was a decrease of 0.001% from its proportion measured at June 30, 2014.

For the year ended September 30, 2015, the County recognized pension expense of \$7,098,482. At September 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 618,324	\$ -
Changes of assumptions	6,791,448	-
Experience loss (gains)	1,213,244	-
Net difference between projected and actual earnings on pension plan investments (netted with 2014 inflow)	-	2,117,408
Changes in proportion and differences between County contributions and proportionate share of contributious	-	1,114,577
County contributions subsequent to the measurement date	1,156,390	-
Total	\$ 9,779,406	\$ 3,231,985

\$1,156,390 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,	
2016	\$ 1,798,692
2017	1,722,271
2018	716,881
2019	1,153,187
	\$ 5,391,031

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(11) Defined Benefit Pension Plan (Continued)

For the year ended September 30, 2015, the Commission recognized pension expense of \$105,155. At September 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,221	\$ 78,598
Changes of assumptions	79,313	-
Experience loss (gains)	14,169	-
Net difference between projected and actual earnings on pension plan investments (netted with 2014 inflow)	-	(53,870)
Changes in proportion and differences between Commission contributions and proportionate share of contributions	48,613	837
Commission's contributions subsequent to the measurement date	15,625	-
Total	<u>\$ 164,941</u>	<u>\$ 25,565</u>

\$15,625 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>	
2016	\$ 43,261
2017	42,368
2018	24,655
2019	13,467
	<u>\$ 123,751</u>

Actuarial Assumptions. The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.5 percent
Salary increases	4.25-19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation
Assessed property value rate of increase	N/A

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(11) Defined Benefit Pension Plan (Continued)

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Broad	34%	5.20%
International Equity	19%	5.00%
Emerging Markets Equity	8%	5.45%
Fixed Income	20%	0.25%
Real Assets	10%	4.00%
Private Equity	8%	6.15%
Cash	1%	-0.50%
	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to the County's and Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County's and Commission's proportionate share of the net pension liability, respectively, calculated using the discount rate of 7.75 percent, as well as what their proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate 7.75%	1% Increase (8.75)
County's proportionate share of PERS	\$ 104,063,445	\$ 78,835,943	\$ 58,026,678
Commission's proportionate share of PERS	15,365,960	920,680	15,550,003

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report and can be obtained at www.pers.ms.gov.

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(12) Long-term Debt

Debt outstanding for governmental activities as of September 30, 2015, consisted of the following:

Description	Amount Outstanding	Interest Rate	Maturity Date
A. General Obligation Bonds			
Jail Renovation Series 2007	\$ 695,000	5.90%	Oct-17
Special Obligation Refunding Bonds, Series 2008A-1	2,110,000	Variable	Oct-17
Special Obligation Refunding Bonds, Series 2008A-2	27,525,000	Variable	Oct-31
Special Obligation Refunding Bonds, Series 2008B	12,890,000	5.-5.5%	Oct-31
Special Obligation Refunding Bonds, Series 2008C	3,400,000	4.0-4.75%	Oct-17
Special Obligation Refunding Bonds, Series 2008D	23,035,000	3.5-5.0%	Oct-28
Special Obligation Refunding Bonds, Series 2010A	30,400,000	5.0-5.25%	Jan-34
Special Obligation Refunding Bonds, Series 2010B	40,000,000	Variable	Sep-45
Special Obligation Refunding Bonds, Series 2010C	8,050,000	2.0-4.25%	Mar-30
General Obligation Industrial Development Bond, Series 2010D	6,500,000	1.75-6.05%	Mar-30
General Obligation Refunding Bonds, Series 2010E	1,990,000	3.60%	Dec-25
General Obligation Refunding Bonds, Series 2012A	1,985,000	2.0-3.0%	Apr-18
General Obligation Refunding Bonds, Series 2012B	585,000	1.0-2.125%	Apr-18
Total Bonds	\$ 159,165,000		
B. Capital Leases			
Hancock Bank copier lease	\$ 416,916	2.64%	Apr-18
Hancock Bank equipment lease	596,787	1.73%	Aug-18
Total Capital Leases	\$ 1,013,703		
C. Other Loans			
MDB Cap Loan 0303	\$ 159,079	3.00%	Nov-20
MDB Cap Loan 0304	159,079	3.00%	Nov-20
Total Other Loans	\$ 318,158		

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

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2016	\$ 7,685,000	\$ 6,926,782
2017	7,545,000	6,650,599
2018	7,140,000	6,433,837
2019	7,055,000	6,156,578
2020-2024	35,470,000	26,304,594
2025-2029	36,015,000	18,056,854
2030-2034	18,255,000	11,146,604
2035-2039	15,645,000	7,082,431
2040-2044	19,800,000	3,096,306
2045-2049	4,555,000	51,294
Total	\$ 159,165,000	\$ 91,905,879

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(12) Long-term Debt (Continued)

Year Ending September 30	Other Loans	
	Principal	Interest
2016	\$ 57,654	\$ 8,896
2017	59,254	7,296
2018	60,854	5,696
2019	62,454	4,096
2020	77,942	1,438
	<u>\$ 318,158</u>	<u>\$ 27,422</u>

The following is a summary of changes in long-term liabilities and obligations for governmental activities for the year ended September 30, 2015:

	Balance Oct. 1, 2014	Additions	Reductions	Balance Sept. 30, 2015	Amount Due Within One Year
Governmental Activities:					
Compensated absences	\$ 2,559,304	\$ -	\$ 20,303	\$ 2,539,001	\$ -
General obligation bonds	166,035,000	-	6,870,000	159,165,000	7,685,000
Capital leases	1,349,953	-	336,250	1,013,703	350,822
Other loans	374,250	-	56,092	318,158	57,654
Sub-total	<u>170,318,507</u>	<u>-</u>	<u>7,282,645</u>	<u>163,035,862</u>	<u>8,093,476</u>
Less:					
Deferred amounts on refundings	2,132,007	-	263,910	1,868,097	-
Discount	48,433	-	24,216	24,217	-
Add:					
Premium	2,869,697	-	175,503	2,694,194	-
Total	<u>\$ 171,007,764</u>	<u>\$ -</u>	<u>\$ 7,170,022</u>	<u>\$ 163,837,742</u>	<u>\$ 8,093,476</u>

Compensated absences will be paid from the funds from which the employees' salaries were paid which are generally the General Fund and Countywide Road Maintenance Fund.

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever County issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2015, the amount of outstanding debt was equal to 7.90% of the latest property assessments.

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(12) Long-term Debt (Continued)

Below is the Long-term Liabilities for Harrison County Development Commission (A Component Unit of Harrison County, Mississippi) for the year ended September 30, 2015.

Changes in outstanding debt during the year ended September 30, 2015, are as follows:

	Balance October 1, 2014	Additions	Principal Payments/ Reductions	Balance September 30, 2015	Amount due within Twelve Months
MDA-BCP	\$ 190,210	\$ -	\$ (27,830)	\$ 162,380	\$ 29,114
MDA-BCP	190,211	-	(27,830)	162,381	29,114
MDA-Innovation Center	228,083	-	(26,530)	201,553	27,326
Compensated absences	42,199	5,302	-	47,501	23,827
	<u>\$ 650,703</u>	<u>\$ 5,302</u>	<u>\$ (82,190)</u>	<u>\$ 573,815</u>	<u>\$ 109,381</u>

Mississippi Development Authority

Biloxi Commerce Park Improvement - \$1,000,000 (2000)

In February 2000, Harrison County, Mississippi obtained two loans in the amount of \$500,000 each bearing 3% interest, through the Mississippi Development Authority (MDA) for improvements to the Biloxi Commerce Park (BCP). Principal and interest payments are payable monthly in the amount of \$2,773 on both loans through November 1, 2020. The principal and interest thereon are obligations of the County. However, the Commission provides for repayment of the loans. The payments are included in "Payments on behalf of other governments" in the statement of revenues, expenditures, and changes in fund balance.

Innovation Center - \$500,000 (2001)

In November 2001, the City of Biloxi, Mississippi obtained a \$500,000 loan, bearing 3% interest, through the MDA for construction of an addition to the Innovation Center. Principal and interest payments are payable annually in the amount of \$33,608 through November 1, 2021. The principal and interest thereon are obligations of the City of Biloxi, Mississippi. However, the Commission provides for repayment of the loan. The payments are included in "Payments on behalf of other governments" in the statement of revenues, expenditures, and changes in fund balance.

Maturity Schedule

The following schedule presents the Commission's future commitment to repay the outstanding debts noted above:

Year Ending September 30,	Governmental Activities		Total Requirements
	Principal	Interest	
2016	\$ 85,554	\$ 15,036	\$ 100,590
2017	87,700	12,458	100,158
2018	90,356	9,415	99,771
2019	93,092	7,066	100,158
2020	95,912	4,248	100,160
2021-2022	73,700	2,950	76,650
	<u>\$ 526,314</u>	<u>\$ 51,173</u>	<u>\$ 577,487</u>

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(13) Deficit Fund Balances of Individual Funds

The following funds reported deficits in fund balances at September 30, 2015:

Fund	Deficit Amount
Federal Grant Fund	\$ 29,480
Drug Court Fund	31,368
Senior Companion Program Fund	4,523
Worthless Check Division	7,706
Hurricane Isaac Fund	434,326
Jail Repair Fund	4,174,091
U. S. 90 Gateway to I-110 Fund	56,297
Henderson Point Boat Launch Fund	674
Parker's Creek Boat Launch Fund	2,050
Supplemental Beach & Dune Fund	27,375

These deficit balances are mainly the result of cost matching and disbursement of loans to other funds.

(14) 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.

(15) No Commitment Debt (Not Included in Financial Statements)

No commitment debt is repaid only by the entities for which 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.

Harrison County and the Mississippi Transportation Commission (Mississippi Department of Transportation) entered into an Interlocal Cooperative Agreement, dated January 24, 2005 and amended October 15, 2005 which among other things allowed the County to provide funds necessary to the Commission (MDOT) for the construction of a Highway Project. The funds come from the \$102,000,000 Mississippi Development Bank Bonds, Series 2005 (Harrison County, Mississippi Highway Construction Project), \$9,490,000 Mississippi Development Bank Special Obligation Bonds, Series 2009A (Harrison County, Mississippi Highway Construction Project) and the \$63,295,000 Mississippi Development Bank Special Obligation Build America Bonds,

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(15) No Commitment Debt (Not Included in Financial Statements) (Continued)

Series 2009B (Harrison County, Mississippi Highway Construction Project – Direct Payment – Federally Taxable) dated August 26, 2009.

In March 2013, Harrison County and the Commission (MDOT) issued Mississippi Development Bank Special Obligation Refunding Bonds, Series 2013A in an amount not to exceed \$80,000,000, to provide funds to advance refund and defease the outstanding Series 2005 Bonds. Under the Cooperative Agreement, the Commission (MDOT) agrees to pay to the Trustee amounts sufficient to pay the principal and interest on the Series 2005 and Series 2009 Bonds. Nothing in the bonds or any other document executed by the County will obligate the County financially in any way or be a charge against its general credit or taxing powers.

The total amount outstanding as of September 30, 2015, is as follows:

Issue	Amount Outstanding
Mississippi Development Bank Bonds, Series 2009B	\$ 63,295,000
Mississippi Development Bank Bonds, Series 2013A	<u>64,125,000</u>
	<u>\$ 127,420,000</u>

Harrison County and Seashore Campgrounds Retirement Home, Inc. (Seashore Highlands, Inc.), a non-profit corporation, have entered into a loan agreement dated December 1, 2011 which among other things allowed the County to provide funds necessary to Seashore Highlands, Inc. for the acquisition, construction, renovation, restoration and equipping of The Cove. The Cove is a 50-apartment, traditional style assisted living center and deemed the Urban Renewal Project. The funds come from \$6,000,000 Hancock Bank Urban Renewal Revenue Bonds, Series 2011 (Seashore Highlands Project Series 2011) dated December 1, 2011. Under this agreement, Seashore Highlands, Inc. agrees to pay to the Trustee amounts sufficient to pay the principal and interest on the Series 2011 Bonds. Nothing in the bonds or any other document executed by the County will obligate the County financially in any way or be a charge against its general credit or taxing powers. The total amount outstanding as of September 30, 2015, is as follows:

Issue	Amount Outstanding
Urban Renewal Revenue Bonds, Series 2011	\$ 5,707,833

(16) Joint Ventures

The County participates in the following joint ventures:

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 39-3-8, Miss. Code Ann. (1972), to operate 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 \$795,102 in fiscal year 2015. Complete financial statements for the Harrison County Library can be obtained from the Gulfport branch located at 1300 21st Avenue, Gulfport, Mississippi.

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(16) Joint Ventures (Continued)

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 \$1,476,499 in fiscal year 2015. Complete financial statements for the Harrison County Wastewater and Solid Waste Authority can be obtained from P.O. Box 2409, Gulfport Mississippi, 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 the County.

While the hospital is basically self-supporting, the City and the 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 Mississippi, 39501.

Harrison County is a participant with the City 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 Harrison County Board of Supervisors appoints one of the three members of the commission. The County did not appropriate to the joint venture in fiscal year 2015. Complete financial statements for the Gulfport-Biloxi Regional Airport Authority can be obtained from P.O. Box 2127, Gulfport, Mississippi, 39501.

Harrison County is a participant with Hancock and Jackson Counties in a joint venture, created by Senate House Bill 3225 in 1999, to operate the Mississippi Gulf Coast Regional Convention and Visitors Bureau. Originally created for the purpose of promoting tourism and conventions within Harrison County, the Mississippi Legislature enacted House Bill 1716, effective July 1, 2013, which renamed the Harrison County Tourism Commission the Mississippi Gulf Coast Regional Convention and Visitors Bureau, which allowed for the promotion of tourism and conventions of Jackson and Hancock counties. Funding for the Bureau is provided primarily through a hotel tax levied on rooms within Harrison County. The separately issued financial statements of the Mississippi Gulf Coast Regional Convention and Visitors Bureau can be obtained by calling (228) 896-6699.

(17) Jointly Governed Organizations

The County participates in the following jointly governed organizations:

The Gulf Coast Mental Health and Mental Retardation operates in a district 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 \$1,180,545 for the support of the agency in fiscal year ending September 30, 2015.

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(17) Jointly Governed Organizations (Continued)

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, Stone and Wayne. The Harrison County Board of Supervisors appoints one of the 27 members of the board of directors. The County appropriated \$0 for the support of the agency in the fiscal year ended September 30, 2015.

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 \$7,160,573 for maintenance and support of the college in fiscal year 2015.

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 appropriated \$21,165 for support of the district in fiscal year 2015.

Gulf Coast Community Action Agency operates in the Counties of George, Greene, Harrison and Hancock. The agency's board is composed of 24 members, one each appointed by the Counties of George, Greene, Harrison and Hancock, 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 provides only a modest amount of financial support when the grants require matching funds. The County provided no financial support in fiscal year 2015.

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 Ocean Springs, Bay St. Louis and Pass Christian. The County appropriated \$243,692 for the support of the agency in the fiscal year ending September 30, 2015.

Harrison-Jackson County Emergency Medical Service District operates in a district composed of 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. The County provided no financial support in fiscal year 2015.

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 counties generally provide no financial support to the organization.

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(18) Derivatives and Interest Rate Swaps

Objectives of hedging derivative instruments: The County has entered into interest rate swaps to manage interest costs related to long-term debt. The following table summarizes the key terms and general information of the effective hedging interest rate swaps outstanding as of September 30, 2015:

Item	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value
A	Pay fixed interest rate swap	Hedge changes in cash flows on Series 2010B	\$ 40,000,000	1/2/2010	1/2/2020	Pay 4.365%, receive 70% of LIBOR	\$ (22,878,372)
B	Pay fixed interest rate swap	Hedge changes in cash flows on Series 2008-A2	27,525,000	10/1/2010	10/1/2031	Pay 2.64%, receive 70% of LIBOR	(3,050,340)
C	Pay fixed interest rate swap	Hedge changes in cash flows on Series 2008B	12,890,000	10/9/2008	10/1/2031	Pay 4.301%, receive variable rate of LIBOR	(2,653,125)

- A. On June 26, 2006, the County and the Mississippi Development Bank (collectively the "County") executed confirmations with Deutsche Bank AG, New York Branch (the "2006 Counterparty"), in connection with the execution of an ISDA Master Agreement and documents dated and executed on February 28, 2008 and revised January 20, 2010 in connection therewith (collectively, the "2006 GO Bonds Swap Agreement") in order to hedge the interest rate risk associated with a certain outstanding obligation of the County. The 2006 GO Bonds Swap Agreement was delivered in conjunction with, and together with the Confirmations thereto, as described below:

\$68,000,000 Mississippi Development Bank Special Obligation Bonds, Series 2005 (MS Bond Program – Harrison County, Mississippi General Obligation Coliseum/Convention Center Expansion and Refunding Project), dated February 2, 2005 (the "February 2005 Bonds") as refunded by the \$30,400,000 Mississippi Development Bank Refunding Bonds Series 2010A

(Harrison County, Mississippi General Obligation Coliseum and Convention Center Refunding Bonds), dated January 28, 2010 issued contemporaneously with \$40,000,000 Mississippi Development Bank Variable Rate Demand Refunding Bonds, Series 2010B (Harrison County, Mississippi General Obligation Coliseum and Convention Center Refunding Bonds), dated January 28, 2010.

On February 28, 2008, the parties to the 2006 GO Bonds Swap Agreement executed a Forward Starting Confirmation in connection with the February 2005 Bonds (the "February 2005 Bonds Novated Confirmation"). The February 2005 Bonds Novated Confirmation has an original notional amount of \$68,000,000, which will equal the outstanding principal amount of the February 2005 Bonds. The notional amount declines as the principal amount of the associated debt declines. Under the revised February 2005 Bonds Novated Confirmation, which the County revised in conjunction with the issuance of the Series 2010A Bonds, the County pays a fixed payment based on 4.365% and receives a variable payment based on USD-LIBOR-BBA multiplied by seventy percent (70%) on each payment date.

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(18) Derivatives and Interest Rate Swaps (Continued)

On January 20, 2010, the parties to the 2006 Swap Agreement executed a Revised Agreement in connection with the "February 2005 Bonds Novated Confirmation", which was executed at the option of the County to revise Confirmation dated February 28, 2008 between the parties under the 2006 GO Bonds Swap Agreement concerning the February 2005 Bonds. The February 2005 Bonds Initial Termination Confirmation reflected a negative fair value at the time of revision. A payment of \$8,680,000 would have been owed to the Swap Counterparty had the Swap Agreement been terminated rather than amended on the Revised Trade Date. The parties have mutually agreed to satisfy this payment obligation by making a payment to the Swap Counterparty in the amount of \$3,690,000 and increasing the Fixed Rate payable under the Swap Agreement to compensate for the remaining portion of the payment (the "Fixed Rate Adjustment"). This payment was made from a portion of the proceeds of the \$30,400,000 Mississippi Development Bank Special Obligation Refunding Bonds, Series 2010A (Harrison County, Mississippi Coliseum and Convention Center Refunding Project), dated January 20, 2010 (the "Series 2010A Bonds"), which carry coupon rates ranging from 5.0-5.25% to final maturity on January 1, 2034.

- B. On June 26, 2006, the County and the Mississippi Development Bank (collectively the "County") executed confirmations with Deutsche Bank AG, New York Branch (the "2006 Swap Counterparty"), in connection with the execution of an ISDA Master Agreement and documents executed in connection therewith (collectively, the "2006 GO Bonds Swap Agreement") in order to hedge the interest rate risk associated with a certain outstanding obligation of the County.

\$27,525,000 Mississippi Development Bank Special Obligation Variable Rate Demand Refunding Bonds, Series 2008A-2 (Harrison County, Mississippi Variable Rate General Obligation Bonds Refunding Project), dated October 23, 2008 (the "2008A-2 Bonds")

On November 25, 2008, the parties to the 2006 GO Bonds Swap Agreement executed a Forward Starting Confirmation in connection with the 2008A-2 Bonds (the "2008A-2 Bonds Confirmation"). The 2008A-2 Bonds Confirmation has an original notional amount of \$27,525,000, which is equal to the outstanding principal amount of the 2008A-2 Bonds as of the effective date of October 1, 2010, and terminates October 1, 2031. The notional amount declines as the principal amount of the associated debt declines. An early termination of this swap transaction may result in the County making or receiving a termination payment based on the prevailing market interest rates at the time of such termination.

- C. On October 7, 2008, the County and Mississippi Development Bank (collectively the "County") executed a confirmation with Bank of America, N.A. (the "2008 Swap Counterparty"), in connection with the execution of an ISDA Master Agreement and documents executed in connection therewith (collectively, the "2008 Swap Agreement") in order to hedge the interest rate risks with a certain outstanding obligation of the County. The 2008 Swap Agreement was delivered in conjunction with, and together with the Confirmation thereto, as described below:

\$16,365,000 Mississippi Development Bank Taxable Special Obligation Variable Rate Demand Refunding Bonds, Series 2008B (Harrison County, Mississippi Variable Rate General Obligation Bonds Refunding Project), dated October 9, 2008 (the "2008 Bonds") On October 8, 2008, the parties to the 2008 Swap Agreement executed a Confirmation in connection with the 2008B Bonds (the "2008B Bonds Confirmation").

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(18) Derivatives and Interest Rate Swaps (Continued)

The 2008B Bonds Confirmation has an original notional amount of \$16,365,000, which is equal to the outstanding principal amount of the 2008B Bonds as of the effective date of October 9, 2008, and terminates October 1, 2031. The notional amount declines as the principal amount of the associated debt declines. As of September 30, 2015, the total outstanding principal balance is \$12,890,000. An early termination of this swap transaction may result in the County making or receiving a termination payment based on the prevailing market interest rates at the time of such termination.

Risks Associated with the Swap Agreements:

Interest Rate Risk – Although the interest rate is synthetically fixed, the outstanding Confirmations described above under the respective interest rate exchange agreements, interest payments on the corresponding variable rate bonds subject to each such interest rate exchange agreement and the net swap payments will vary as interest rate changes.

The County believes, with respect to the transactions described above, that it has substantially reduced the interest rate risk with respect to the corresponding variable rate bonds by entering into the interest rate swaps.

Credit Risk – Credit risk can be measured by actual market value exposure or theoretical exposure. When the fair value of any swap has a positive market value, then the County is exposed to the actual risk that the counterparty will fulfill its obligations.

As of September 30, 2015, the County has no net exposure to actual credit risk on its derivatives because the total exposure to each counterparty is a liability to the County. The County does not measure theoretical exposure on its derivative portfolio.

Each swap agreement requires that the counterparties have credit ratings from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories, and ratings, which are obtained from any other nationally recognized statistical rating agencies shall also be with the three highest grade categories.

All of the swap agreements require that should the rating of the applicable counterparty or of the entity unconditionally guaranteeing such counterparty's obligations fall below the required rating, that the applicable counterparty transfer the agreement to an entity that meets the required rating.

Each outstanding swap agreement is with a counterparty that met the required rating as of September 30, 2015.

The table below shows each counterparty rating as of September 30, 2015:

Counterparty	Moody's Rating	S & P
Deutsche Bank AG	A3	BBB+
Bank of America NA	A1	A

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(18) Derivatives and Interest Rate Swaps (Continued)

Basis Risk – The County is exposed to basis risk when the variable payment on its obligations does not match the variable payment received on its hedges. The February 2008 Novated Confirmation and the February 2005 Bonds Revised Confirmation under the 2006 GO Bonds Swap Agreement and the Confirmation under the 2006 Swap Agreement expose the County the basis risk as the relationship between the USD-LIBOR-BBA and the associated variable rate bonds vary, which changes the synthetic rate on such Bonds.

The other Confirmations under the 2006 GO Bonds Swap Agreement and all the Confirmations under the 2006 Revenue Bonds Swap Agreement expose the County to basis risk to the extent of the difference between the BMA Municipal Swap Index and the USSMQ10 Index rate as it appears on the Bloomberg screen times an applicable percentage. The relationship between these rates will vary over time and any variation will result in an adjustment to the intended synthetic interest rate.

Termination Risk – Each Swap Agreement is documented by using International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The schedule to each Master Agreement includes additional termination events, providing that the swaps may be terminated if either the County's or a counterparty's credit rating falls below certain levels. The County or the counterparties may terminate a swap agreement if the other party fails to perform under the terms of the contract.

If one or more of the swap agreements is terminated, the related variable rate Bonds would no longer be hedged and the County would no longer be effectively paying a synthetic fixed rate with respect to these Bonds. Also, if at the time of termination a swap has a negative fair value, the County would incur a loss and would be required to settle with the applicable counterparty at the swap's fair value at the time of termination. If a swap has a positive fair value at the time of termination, the County would realize a gain that the applicable counterparty would be required to pay. In either case, the County would increase its interest rate risk because the variable rate bonds would no longer be hedged.

Market Access Risk – Market access risk refers to the ability of the County to continue to access the capital markets. The County is subject to market access risk in the event that the credit enhancement that is supporting the variable rate bonds cannot be renewed or extended beyond its original term or if general market conditions disrupt the variable rate markets.

Rollover Risk – Rollover risk exists when a hedge matures prior to the maturity date of the hedged item. Except as noted below, all Confirmations are for the term (maturity) of the corresponding variable rate bonds, and therefore, there is no rollover risk.

The February 2005 Bonds Novated Confirmation terminates prior to the maturity date of the February 2005 Bonds related to such Confirmations.

In the event the February 2005 Bonds Novated Confirmation terminates at the termination date thereof, the County would become subject to the variable interest rates that were previously hedged to fixed rates as to the February 2005 Bonds.

Foreign currency risk – All derivatives are denominated in U.S. dollars and therefore, the County is not exposed to foreign currency risk.

HARRISON COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

(19) Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the County evaluated the activity of the County through July 12, 2016, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2015, the County entered into the following commitments:

In October 2015, the County approved an amended and restated Interlocal Cooperation Agreement and an amended and restated Tax Pledge Agreement with the City of Biloxi in connection with the City's issuance of its Tax Increment Limited Obligation Refunding Bonds, Series 2016 in the amount equal to the lessor of \$1,200,000 per year or one-half of the annual debt service of the City's TIF Bond.

In March 2016, the County authorized the issuance of Mississippi General Obligation Refunding Bonds, Series 2016, not to exceed \$15,000,000, for the purpose of advance refunding and defeasing all or a portion of the outstanding \$28,000,000 Mississippi Development Bank Special Obligation Fixed Rate Refunding Bonds Series 2008D.

REQUIRED SUPPLEMENTARY INFORMATION



HARRISON COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 39,818,082	\$ 39,987,257	\$ 39,987,257	\$ -
Licenses, commissions and other revenue	2,908,700	2,908,700	3,515,225	606,525
Fines and forfeitures	1,472,400	1,472,400	1,386,072	(86,328)
Intergovernmental revenues	7,138,000	7,935,000	8,002,886	67,886
Charges for services	2,179,000	2,409,000	2,482,323	73,323
Interest income	46,300	46,300	66,460	20,160
Miscellaneous revenues	529,800	909,800	1,229,132	319,332
Total Revenues	54,092,282	55,668,457	56,669,355	1,000,898
EXPENDITURES				
Current:				
General government	25,490,955	29,312,418	26,928,076	2,384,342
Public safety	25,719,065	26,363,251	25,200,373	1,162,878
Public works	51,020	52,620	49,688	2,932
Health and welfare	4,564,491	4,643,672	4,414,644	229,028
Culture and recreation	2,680,069	2,739,507	2,331,978	407,529
Conservation of natural resources	186,029	187,779	140,205	47,574
Economic development and assistance	-	873,230	872,863	367
Debt service:				
Principal	512,706	512,706	512,706	-
Interest	306,713	306,713	306,706	7
Bond issue costs	5,200	5,200	4,800	400
Total Expenditures	59,516,248	64,997,096	60,762,039	4,235,057
Excess of Revenues over/(under) Expenditures	(5,423,966)	(9,328,639)	(4,092,684)	5,235,955
OTHER FINANCING SOURCES (USES)				
Transfers in	4,305,000	6,605,000	6,780,617	175,617
Transfers out	(500,000)	(2,868,600)	(2,330,920)	537,680
Total Other Financing Sources and Uses	3,805,000	3,736,400	4,449,697	713,297
Net Changes in Fund Balances	(1,618,966)	(5,592,239)	357,013	5,949,252
Fund Balances - Beginning	11,638,482	2,475,432	11,907,960	9,432,528
Fund Balances - Ending	\$ 10,019,516	\$ (3,116,807)	\$ 12,264,973	\$ 15,381,780

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

HARRISON COUNTY, MISSISSIPPI
 Schedule of Funding Progress - Other Postemployment Benefits
 September 30, 2015

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b-a)	Percent Funded (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Annual Covered Payroll ((b-a) / c)
October 1, 2015	\$ -	\$ 2,537,421	\$ 2,537,421	0.00%	\$ 26,140,655	9.71%
October 1, 2013	\$ -	\$ 2,114,796	\$ 2,114,796	0.00%	\$ 29,377,589	7.20%
October 1, 2009	\$ -	\$ 2,688,117	\$ 2,688,117	0.00%	\$ 32,674,621	8.23%

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

HARRISON COUNTY, MISSISSIPPI
 Schedule of the County's Proportionate Share of the Net Pension Liability
 Last 10 Fiscal Years*
 For the Year Ended September 30, 2015

	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability	0.48%	0.49%
County's proportionate share of the net pension liability	\$ 78,835,943	N/A
County's covered-employee payroll	\$ 31,598,679	31,761,378
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	249.49%	N/A
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the County has only presented information for the years in which information is available. The information presented in this schedule has been determined as of the measurement date in accordance with GASB Statement No. 68.

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

HARRISON COUNTY, MISSISSIPPI
 Schedule of County Contributions
 Last 10 Fiscal Years*
 For the Year Ended September 30, 2015

	<u>2015</u>
Contractually required contribution	\$ 4,996,050
Contributions in relation to the contractually required contribution	<u>4,996,050</u>
Contribution deficiency (excess)	<u>\$ -</u>
County's covered-employee payroll	\$ 31,720,952
Contributions as a percentage of covered-employee payroll	15.75%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until, a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

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

HARRISON COUNTY, MISSISSIPPI
Notes to the Required Supplementary Information
For the Year Ended September 30, 2015
UNAUDITED

Budgetary Comparison Schedule

A. Budgetary Information

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

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

B. Basis of Presentation

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation

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

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

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

	General Fund
Budget (Cash Basis)	\$ 12,264,973
Increase (Decrease)	
Net adjustments for revenues	2,511,557
Net adjustments for expenditures	493,107
GAAP Basis	\$ 15,269,637

HARRISON COUNTY, MISSISSIPPI
Notes to the Required Supplementary Information
For the Year Ended September 30, 2015
UNAUDITED

Pension Schedules

A. Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

SUPPLEMENTARY INFORMATION



HARRISON COUNTY, MISSISSIPPI
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2015

Federal Grantor/ Passed-through Grantor/ Program Title or Cluster	Federal CFDA Number	Passed through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture - Office of Food and Nutrition Service			
Passed through the South Mississippi Planning and Development District			
Child and Adult Care Food Program	10.558	N/A	\$ 15,258
Passed through the Mississippi State Treasurer's Office			
Schools and Roads - Grants to States	10.665		173,741
Total U.S. Department of Agriculture			188,999
U.S. Department of Commerce			
Passed through the Mississippi Department of Environmental Quality			
Coastal Zone Management Administration Awards	11.419	SW439	539
Coastal Zone Management Administration Awards	11.419	SW966	14,155
Coastal Zone Management Administration Awards	11.419	SWC458	61,819
Total U.S. Department of Commerce			76,513
U.S. Department of Housing and Urban Development			
Passed through the Mississippi Development Authority			
Community Development Block Grants/State's Program	14.228	R-103-024-03-KED	10,030
Community Development Block Grants/State's Program	14.228	R-103-024-05-KED	1,244,836
Sub-total			1,254,866
Passed through the City of Gulfport, Mississippi			
HOME Investment Partnership Program	14.239	M-09-DC-280200	8,295
HOME Investment Partnership Program	14.239	M-10-DC-280200	51,705
Sub-total			60,000
Total U.S. Department of Housing and Urban Development			1,314,866
U.S. Department of Interior, Minerals Management Service			
Coastal Impact Assistance Program*	15.668	F12AF70252	832,524
Coastal Impact Assistance Program*	15.668	F12AF70006	23,640
Coastal Impact Assistance Program*	15.668	F12AF70191	27,779
Coastal Impact Assistance Program*	15.668	F12AF01206	717,883
Passed through the Mississippi Department of Marine Resources			
Coastal Impact Assistance Program*	15.668	F12AF70032	207,622
Sub-total			1,809,448
Office of Natural Resources			
Gulf of Mexico Energy Security Act	15.435	MS.24.708	22,385
Total U.S. Department of Interior			1,831,833
U.S. Department of Justice - Office of Justice Programs			
National Institute of Justice Research, Evaluation, and			
Development Project Grants	16.560	2014-DN-BX-K077	22,343
Passed through the Mississippi Department of Public Safety			
Violence Against Women Formula Grants	16.588	13SP1241	20,249
Violence Against Women Formula Grants	16.588	14SP1241	8,498
Sub-total			28,747
Passed through Bureau of Justice Assistance			
State Criminal Alien Assistance Grant	16.606	2013-AP-BX-0531	210
Sub-total			210

(Continued)

HARRISON COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

Federal Grantor/ Passed-through Grantor/ Program Title or Cluster	Federal CFDA Number	Passed through Entity Identifying Number	Federal Expenditures
U.S. Department of Justice - Office of Justice Programs/			
Passed through the Mississippi Department of Public Safety			
Edward Byrne Memorial Justice Assistance Grant	16.738	13-DC-1241	9,955
Edward Byrne Memorial Justice Assistance Grant	16.738	14-DC-1241	17,816
Passed through the City of Gulfport			
Edward Byrne Memorial Justice Assistance Grant	16.738	2014-DJ-BX-0557	16,981
Edward Byrne Memorial Justice Assistance Grant	16.738	2013-DJ-BX-0907	4,133
Sub-total			<u>48,885</u>
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2014-CD-BX-0025	<u>38,000</u>
Equitable Sharing Program*	16.922	N/A	637,034
Total U.S. Department of Justice			<u>775,219</u>
U.S. Department of Transportation - Federal Highway Administration/			
Passed through Mississippi Department of Transportation			
Highway Planning and Construction Grant	20.205	STP-0024-00(049)	98,545
Highway Planning and Construction Grant	20.205	BR 8936 I B	192,523
Sub-total			<u>291,068</u>
Passed through the Mississippi Department of Public Safety			
State and Community Highway Safety	20.600	15-OP-1241	<u>37,574</u>
Total U. S. Department of Transportation			<u>328,642</u>
U. S. Department of Education			
Passed through the Mississippi Department of Public Safety			
Education Research, Development and Dissemination Grant	84.305	15CA1241	<u>2,459</u>
Total U.S. Department of Education			<u>2,459</u>
U. S. Department of Health and Human Services			
Passed through the South Mississippi Planning and Development District			
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	N/A	10,602
Social Services Block Grant	93.667	N/A	26,047
Total U.S. Department of Health and Human Services			<u>36,649</u>
Corporation for National and Community Service			
Retired and Senior Volunteer Program	94.002	2014-OPEI-P74-OPO-22221-4101	19,948
Retired and Senior Volunteer Program	94.002	2015-OPEI-P74-OPO-22221-4101	32,184
Sub-total			<u>52,132</u>
Senior Companion Program*	94.016	14SCSMS002	<u>177,003</u>
Total Corporation for National and Community Service			<u>229,135</u>
Executive Office of the President			
High Intensity Drug Trafficking Area	95.001	G13GC0003A	898
High Intensity Drug Trafficking Area	95.001	G14GC0003A	26,466
High Intensity Drug Trafficking Area	95.001	G15GC0003A	48,744
Total Executive Office of the President			<u>76,108</u>

(Continued)

HARRISON COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

Federal Grantor/ Passed-through Grantor/ Program Title or Cluster	Federal CFDA Number	Passed through Entry Identifying Number	Federal Expenditures
U.S. Department of Homeland Security			
Emergency Management Performance Grants	97.042	N/A	79,791
Sub-total			<u>79,791</u>
Homeland Security Grant Program	97.067	14HS024	3,540
Homeland Security Grant Program	97.067	S14HS024T2	16,442
Homeland Security Grant Program	97.067	14HS024T	3,341
Homeland Security Grant Program	97.067	13HS024	9,899
Sub-total			<u>33,222</u>
Total U.S. Department of Homeland Security			<u>113,013</u>
Total Expenditures of Federal Awards			<u>\$ 4,973,436</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.

* Denotes major federal award program

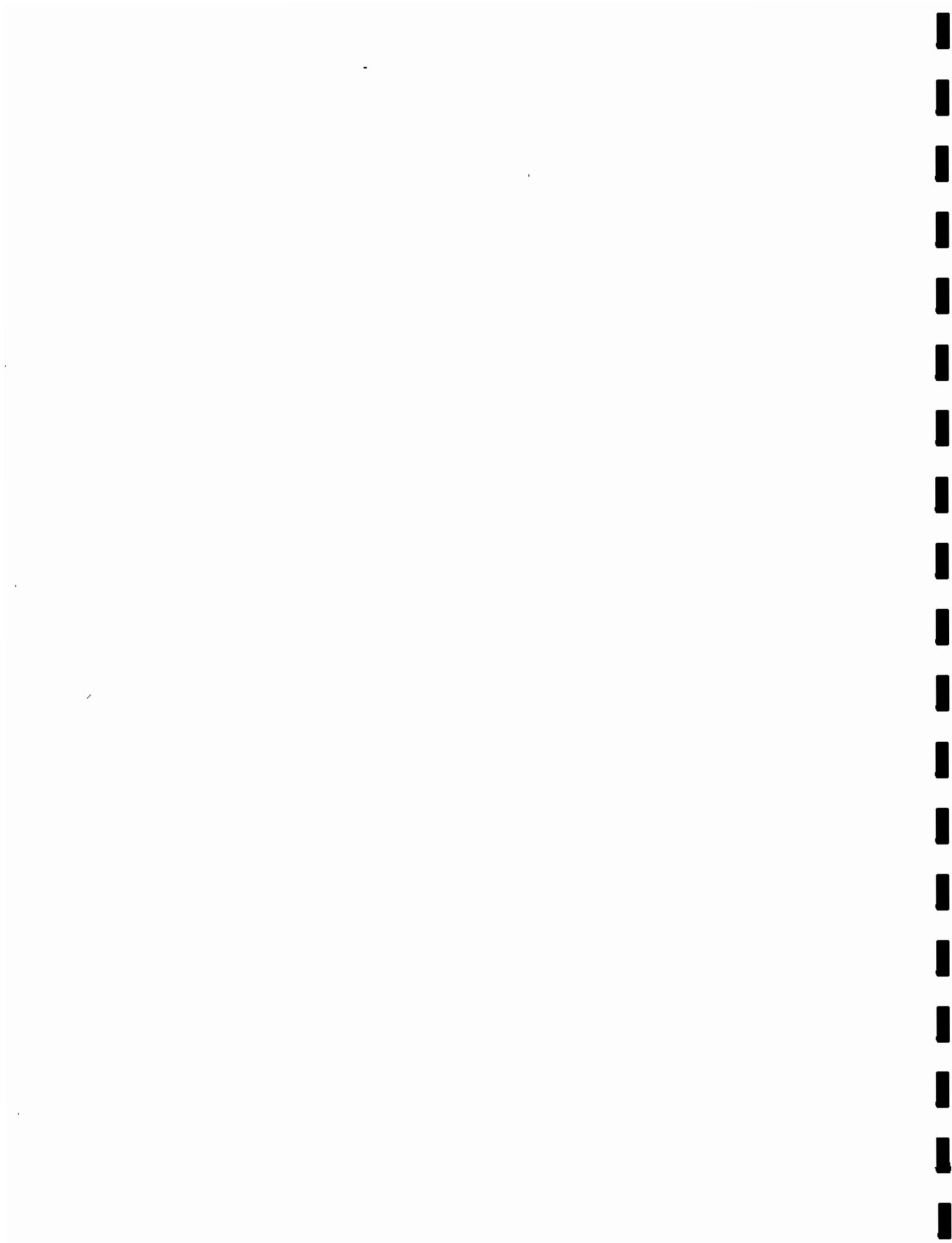
** DOJ Equitable Sharing grant is reported on the cash basis of accounting.

Harrison County
 Schedule of Surety Bonds for County Officials
 For the Year Ended September 30, 2015

Name	Position	Company	Amount
Winfield S. Swetman III	Supervisor District 1	RLI Surety	\$100,000
Kim B. Savant	Supervisor District 2	Fidelity and Deposit Company	\$100,000
Marlin Roger Ladner	Supervisor District 3	Fidelity and Deposit Company	\$100,000
William W. Martin	Supervisor District 4	Fidelity and Deposit Company	\$100,000
Connie Rocko	Supervisor District 5	Fidelity and Deposit Company	\$100,000
Pamela Ulrich	County Administrator	Fidelity and Deposit Company	\$100,000
John McAdams	Chancery Clerk	Hartford Fire Insurance Company	\$100,000
Jody Webster	Purchase Clerk	Fidelity and Deposit Company	\$75,000
Barbara Taylor	Assistant Purchase Clerk	Fidelity and Deposit Company	\$50,000
LaSonya R. Plainer	Assistant Purchase Clerk	Fidelity and Deposit Company	\$50,000
Shannon Toledo Carnes	Receiving Clerk	Fidelity and Deposit Company	\$75,000
Claudine Forbes	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Elizabeth Tiblier	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Dana Williams	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Gloria Davis	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Chester W. Miller	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Karen Adams	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Paula Chisholm	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Rhonda Haynes	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Margaret Hosli	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Tommy Allen	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Beth Rushing	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Regina Scarborough	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Paula Robinson	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Pete Harper	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Paul Trosclair	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Yolanda Lewis	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Brenda Barefoot	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Kathy Rogers	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Tina Moss	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
April Jacobs	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Susan Wildin	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Lori Roberts	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Kelly Henderson	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Danny Boudreaux	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Joseph Spires	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Andy Mosely	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Kristy Bankston	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Edmond Pujol	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Kelly Griffin	Inventory Control Clerk	Fidelity and Deposit Company	\$75,000
W. Russell Weatherly	Road Manager	Fidelity and Deposit Company	\$50,000
Winfield Scruggs Swetman, Jr.	Constable - District 1	RLI Surety	\$50,000
Paul Johnson	Constable - District 2	Fidelity and Deposit Company	\$50,000
William L. Phelps	Constable - District 3	Fidelity and Deposit Company	\$50,000
Sammie Taylor	Constable - District 4	Fidelity and Deposit Company	\$50,000
Jeffrey Miguez	Constable - District 5	Fidelity and Deposit Company	\$50,000
Gayle Parker	Circuit Clerk	Fidelity and Deposit Company	\$100,000
Eriea Stutzer	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Michelle Carden	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Clementine Carney	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000

Harrison County
 Schedule of Surety Bonds for County Officials (Continued)
 For the Year Ended September 30, 2015

Name	Position	Company	Amount
Kamisha Perrin	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Leigh Ann Foster	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Lindsey Bond	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Peggy Harvey	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
April Hayes	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Connie Ladner	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Stewart Lee	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Yvette Livaccari	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Jill Moran	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Jillian Necaise	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Marie Niolet	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Paula Olsen	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Barry Pickreign	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
April Davis	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Stephanie Ritter	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Lisa St. Martin	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Jennifer Smith	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Chrishona Taylor	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
David Triola	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Brenda Whitworth	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Justin Wetzel	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Olivia Young	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Coleen Guardanapo	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Melvin Brisolara	Sheriff	Fidelity and Deposit Company	\$100,000
Albert J. Fountain	Justice Court Judge - District 1	Fidelity and Deposit Company	\$50,000
David Ladner	Justice Court Judge - District 2	Fidelity and Deposit Company	\$50,000
Dianne Ladner	Justice Court Judge - District 3	Fidelity and Deposit Company	\$50,000
Metvin J. Ray	Justice Court Judge - District 4	Fidelity and Deposit Company	\$50,000
Bruce Strong	Justice Court Judge - District 5	Fidelity and Deposit Company	\$50,000
Greg Illich	Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Priscilla Thompson	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Rebecca Meakins	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Melissa Randall Yarber	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Toni Boney	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Torie Graham	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Jackie McBride	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Judy E Irons	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Melanie Romero	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Tammy Ladner	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Mandy McKay	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Cynthia Eighmey	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Elizabeth Cash	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Michele Marroy	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Devin Gist	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Merry Savoy	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Kristi Brackett	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Rachael Taylor	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Alyce Dana	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Roland Cranford	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Chloe Payne	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
David V. LaRosa, Sr.	Tax Collector	Fidelity and Deposit Company	\$100,000
E. T. Flurry	Tax Assessor	Fidelity and Deposit Company	\$100,000
	Sheriff Deputies	Western Surety Company	\$50,000
	Deputy Tax Collectors	Underwriters at Lloyd's London	\$100,000
	Deputy Tax Assessors	Underwriters at Lloyd's London	\$100,000



SPECIAL REPORTS



WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1929)

Certified Public Accountants

HANCOCK BANK BUILDING

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

July 12, 2016

Members of the Board of Supervisors
Harrison County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Harrison County, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise Harrison County, Mississippi's basic financial statements and have issued our report thereon dated July 12, 2016.

The report is qualified on the governmental activities and the General Fund because management did not maintain an accurate aging of fines receivable for Justice and Circuit Courts as required by accounting principles generally accepted in the United States of America. Except as previously noted, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a

material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2015-001, 2015-003, 2015-006, 2015-007, 2015-008 and 2015-009.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies: 2015-002, 2015-004, and 2015-005.

Compliance and Other Matters

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

Harrison County, Mississippi's Response to Findings

Harrison County, Mississippi's response to the findings identified in our audit is described in the accompanying auditee corrective action plan. Harrison County, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Walter Woodworth * Sr

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

July 12, 2016

Members of the Board of Supervisors
Harrison County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Harrison County, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Harrison County, Mississippi's major federal programs for the year ended September 30, 2015. 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.

Management's Responsibility

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

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Harrison County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-010, 2015-011 and 2015-012. Our opinion on each major federal program is not modified with respect to these matters.

Harrison County, Mississippi's responses to the noncompliance findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Harrison County, Mississippi's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

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

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2015-010 and 2015-011 that we consider to be significant deficiencies.

Harrison County, Mississippi's responses to the internal control over compliance findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Harrison County, Mississippi's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

*Walter Woodruff * Chief*



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

July 12, 2016

Members of the Board of Supervisors
Harrison County, Mississippi

We have examined Harrison County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2015. The Board of Supervisors of Harrison County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of 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 current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed a certain instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Receiving Clerk

1. Receiving reports were not timely prepared upon receipt of goods.

Finding

Section 31-7-109 Miss. Code Ann. (1972), requires that the receiving clerk or his assistant shall, upon proper delivery of equipment, heavy equipment, machinery, supplies, commodities, materials or services, acknowledge receipt of goods in compliance with a receipting system prescribed by the State Department of Audit under the authority of Section 7-7-211 and in accordance with Section 31-7-113, and the receiving clerk shall be responsible for the maintenance for such system. The County Purchase Manual as set forth by the Office of the State Auditor states that receiving reports are to be made by the third regular business day after the receipt of the commodities or services.

During our audit testing, we noted several instances where receiving reports were dated a significant number of days after the actual goods or services were received.

Recommendation

Proper procedures should be implemented and followed for the receipting of goods and other items received by the County in accordance with state laws and regulations. Receiving reports should be generated timely upon receipt of goods or services. This will also facilitate the timely payment of vendor invoices for these goods and services.

Receiving Clerk's Response

Procedures are implemented and should be followed for receipting goods and other items received by the County in accordance with state laws. All items received should be inspected immediately upon receipt and receiving reports generated timely upon receipt of goods or services.

The receiving clerk and all assistants have been reminded of these procedures in accordance with state law and management has been monitoring this process to ensure that all items are timely received and reports generated to ensure timely payment of claims.

Purchasing

2. Improper credit card procedures.

Finding

MS Code 19-3-68 states that County credit cards are to be used to pay for expenses incurred when traveling; it states that credit card receipts shall be furnished to the purchase clerk who shall submit a monthly report to the board of Supervisors; this report shall include an itemized list of all expenditures. The County is not using the credit card exclusively for travel purchases; all credit card users are not supplying all receipts to the purchasing clerk, and the purchasing clerk is not providing an itemized list of all purchases to the Board of Supervisors on a monthly basis. In some cases, the County is paying sales tax for purchases made with the County credit card.

Recommendation

We recommend that the County implement credit card policies and procedures as set forth in MS Code 19-3-68.

Purchasing Clerk's Response

We will adhere to the code section referenced above and present the credit card charges and detail as required at the monthly board meetings.

Purchasing

3. Improper procurement procedures.

Finding

The County purchased commodities greater than \$5,000 and did not get two quotes as required by MS Code 31-7-13.

In several instances, the monthly Schedule of Purchases, which is compiled by the Purchasing Clerk, misclassifies bids as low quotes, misclassifies state contract purchases as low quotes, and misclassifies sole source purchases as low quotes. This causes the County to be noncompliant with the Purchase Law Summary as set forth by the Office of the State Auditor which states in connection with the purchase of noncompetitive items that are only available from one source the County shall make note on the minutes of the body at the next regular meeting thereafter.

Recommendation

We recommend that the County review and implement policies and procedures that are consistent with the MS Code 31-7-13 and the Purchase Law Summary.

Purchasing Clerk's Response

The purchasing department will ensure that all commodities will be properly procured with quotes as required by state code.

The monthly report of emergency, low quote, state contracts and sole source will be reviewed before board presentation to ensure accurate reporting in accordance with state code.

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 for the fiscal year ended September 30, 2015.

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

Harrison County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

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.

Walter Wood, Jr. & Co.

HARRISON COUNTY, MISSISSIPPI

Schedule of Purchases from other than the Lowest Bidder
For the Year Ended September 30, 2015

Schedule 1

Date	Item Purchased	Bid Accepted	Vendor	Lowest Bid	Reason for Accepting Other Than the Lowest Bid
04/06/15	Voter Registration Cards	\$ 52,800.00	Certified Mailing Solutions	\$ 39,160.00	Vendor bid did not meet the Circuit Clerk's requirement for a one-piece mailer, to avoid being overlooked.

HARRISON COUNTY, MISSISSIPPI
 Schedule of Emergency Purchases
 For the Year Ended September 30, 2015

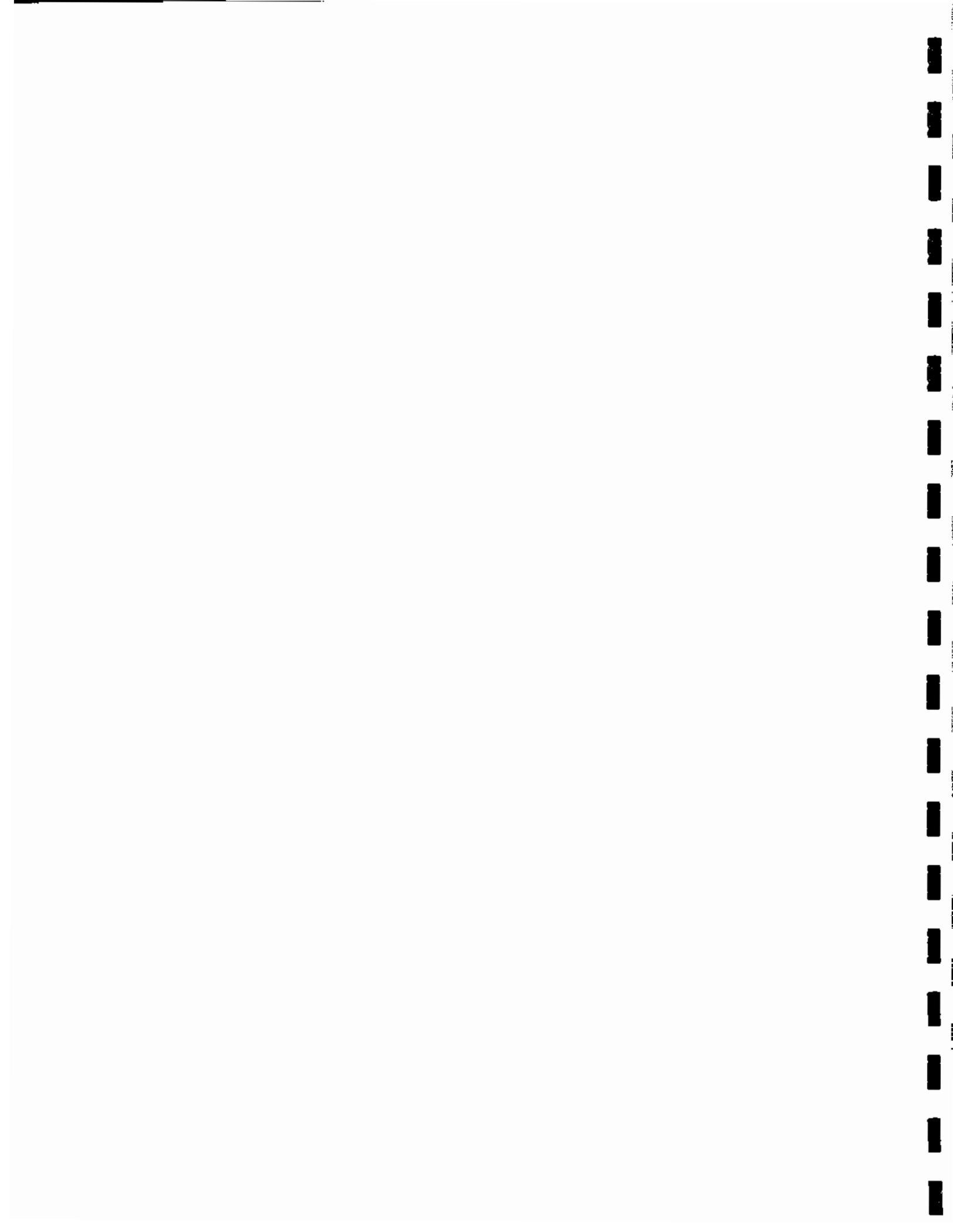
Schedule 2

Date	Item Purchased	Amount Paid	Vendor	Reason for Emergency Purchase
01/27/15	Parts and labor to replace pump housing and impeller Asset #14461	\$ 5,182.00	Sunbelt Fire	Truck is out-of-service until pump can be repaired- truck is used as a water source in putting out fires
03/04/15	Replace hot water boiler and install vent pipe and pump	13,894.00	Engineered Cooling	No heat/air at the Youth Court
03/23/15	Replaced hydraulic packing seals on elevator Justice Court Bldg.	7,368.71	Coast Elevator	Oil seals failed on elevator at Gulfport Justice Court Building
03/06/15	Replace hot water boiler and install vent pipe and pump at Jail	21,768.00	Engineered Cooling	Boiler at jail went out
06/02/15	Labor and materials to provide life safety and stabilization repairs	23,500.00	Millers, INC.	Current unstable condition of the Saucier Tower
06/29/15	Repair damage to field lights and scoreboard	5,895.80	Weaver Electric, INC	Lightening damage to lights and scoreboard with tournaments scheduled for the weekend
07/13/15	Material and labor to repair chiller HVAC at Justice Court	24,482.00	Engineered Cooling	HVAC out at the Justice Court
07/20/15	Parts and labor to install water well pump	5,500.00	McGill Pump & Well	Water well has sand grit in water and cannot drink the water or wash trucks
07/28/15	Replace motors in fan at the Long Beach Pavilion	8,083.00	Big Ass Fan Co./Delta T Corporation	Lightening damage to fan
08/10/15	Replace fan motors and reset man in air conditioning system at Justice	5,297.65	Engineered Cooling	Air conditioner out at Justice Court building
09/08/15	Repair on control panel on boiler at Jail	5,748.00	Engineered Cooling	Control panel out on boiler at Jail
09/29/15	Repairs at Brady Drive Outfall	10,646.50	Covington Civil & Environmental	Damage during a significant rain event in late April

HARRISON COUNTY, MISSISSIPPI
 Schedule of Purchases Made Noncompetitively From a Sole Source
 For the Year Ended September 30, 2015

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
10/06/14	Preventative maintenance service on vote scanners	\$ 11,050.00	Election Systems & Software
02/02/15	Flashback 3 In Car Video System Assembly	60,181.32	TCS Ware, INC
02/02/15	L-3 Mobile Vidco Server	9,476.00	TCS Ware, INC
03/09/15	L3 Flashback 3 In Care Video System Assembly	45,135.99	TCS Ware, INC
04/13/15	Lifepak 1000-Electrodes- Energy Defibrillation	59,505.62	Physio-Control
05/04/15	Six complete taser kits	6,913.25	Taser International
05/11/15	Computer Voice Stress Analyzer and CVSA Training	8,995.00	NITV Federal Services
09/14/15	Taser, battery, and holster	10,330.18	Taser International
07/06/15	Relocation and reinstallation of radio consoles	10,650.00	Hurricane Electronics



WRIGHT, WARD, HATTEN & GUEL .

PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1929)

Certified Public Accountants

HANCOCK BANK BUILDING

2510 - 14TH STREET

P.O. BOX 129

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**LIMITED INTERNAL CONTROL AND COMPLIANCE
REVIEW MANAGEMENT REPORT**

July 12, 2016

Members of the Board of Supervisors
Harrison County, Mississippi

In planning and performing our audit of the financial statements of Harrison County, Mississippi for the year ended September 30, 2015, we considered Harrison County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Harrison County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated July 12, 2016, on the financial statements of Harrison County, Mississippi.

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

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

Wright Ward Hatten & Guel



SCHEDULE OF FINDINGS AND QUESTIONED COSTS



HARRISON COUNTY, MISSISSIPPI
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2015

Section I: Summary of Auditors' Results

Financial Statements:

- | | | |
|----|--|------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental Activities | Qualified |
| | Discretely presented component unit | Unmodified |
| | General Fund | Qualified |
| | County Port Bond and Interest Sinking Fund | Unmodified |
| | Aggregate remaining fund information | Unmodified |
| | | |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiency identified that is not considered to be a material weakness? | Yes |
| 3. | Noncompliance related to the financial statement noted? | No |

Federal Awards:

- | | | |
|-----|--|------------|
| 4. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that is not considered to be a material weakness? | Yes |
| 5. | Type of auditor's report issued on compliance with major federal programs: | Unmodified |
| 6. | Any finding(s) disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? | Yes |
| 7. | Federal programs identified as major: | |
| | a. Coastal Impact Assistance Program Grant CFDA # 15.668 | |
| | b. Equitable Sharing Program CFDA # 16.922 | |
| | c. Senior Companion Program CFDA # 94.016 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |
| 9. | Auditee qualified as low risk: | No |
| 10. | Prior year audit finding and questioned cost relative to federal awards which require the auditee to prepare a summary schedule of prior audit findings as discussed in Section .315(b) of OMB Circular A-133? | No |

HARRISON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Section 2: Financial Statement Findings

Board of Supervisors

Material Weakness (Prior year finding)

2015-001 Compliance Requirement: Reporting – Reports and reimbursement requests should be submitted to grantors in an accurate and timely manner. Procurement – Costs charged to grants should be properly procured and documented. Grant files and supporting documentation should be maintained on each grant award.

Finding

The County did not timely submit reimbursement requests on certain grants resulting in loss of reimbursement or significant delays in reimbursement of funds to the County. In some cases, the County submitted duplicate expenditures for reimbursement. Some grant documents could not be located within the files or on County premises.

Recommendation

The Board of Supervisors should implement policies and procedures to ensure that the various departments and individuals that oversee federal and state grant activities are familiar with the grant compliance requirements and allowable cost principles related to all grants. Policies and controls should be implemented so that all grant reports and reimbursements are timely and accurately submitted to the various granting agencies and that the County is reimbursed for all allowable expenditures in a timely manner. All grant documentation including grant agreements, budgets, modifications, expenditure details and reimbursement requests, as well as any other required grant documents by grant activity should be filed and maintained on County premises.

Board of Supervisors

Significant Deficiency (Prior year finding)

2015-002 Outstanding amounts shown in various cash accounts, should be deemed “unclaimed funds” or “voided” in the general ledger accounting system after several years of issuance. Clearing funds should be reconciled to the general ledger.

Finding

Several of the cash accounts in various departments have old outstanding checks that should be deemed as “unclaimed funds” and remitted to the Secretary of State or “voided” in the general ledger system. Some of the clearing accounts that were tested appeared to have unusually large balances of cash on hand at year-end.

Recommendation

All old outstanding checks should be reviewed to determine if funds should be remitted to the Secretary of State and deemed “unclaimed funds” or if the checks should be “voided” in the general ledger system. All clearing account cash balances should be reconciled to the general ledger each month and any amounts that are determined to be excess funds should be remitted to the appropriate funds.

HARRISON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Board of Supervisors

Material Weakness (*Prior year finding*)

2015-003 Procedures and processes should be established and implemented for the use of all County rental facilities and the receipting and recording of all monies collected.

Finding

During our testing of civic center rental facilities of the County, we noted that rental contracts were not properly completed or executed for all rentals, and deposits to hold the facility were not collected in all instances. On several occasions the civic centers were rented "free of charge" without adequate documentation or board approval to allow the use of the center. In other instances, County employees were allowed to rent the facilities at "no charge". Rental documentation was incomplete. Receipts were not issued for all transactions which made it difficult to determine the completeness of revenue collected. Deposits that were refunded were not easily traced to the original receipt in the general ledger. The civic center rentals are handled by different individuals within the County, therefore receipt collection, including cash is handled at multiple locations.

Recommendation

We recommend that management establish and implement new procedures and policies for the rental of all the facilities within the County. These policies should include guidelines for the documentation of the rentals, collection of rental deposits and receipts and the subsequent disbursement of deposits, where required.

Board of Supervisors

Significant Deficiency (*Prior year finding*)

2015-004 Internal controls over employee timekeeping should be enforced and background checks should be required of all County employees.

Finding

The County has implemented a new timekeeping system for all County employees. During our testing of payroll and employee timekeeping, we noted that some employees are editing their own time record which is in violation of County policy. These employees have access to the time keeper at the facility where they work, however they are not using it as it is intended.

In 2013, the State of Mississippi implemented a new statute, Miss. Code Ann. 25-1-113, which prohibits the hire of any persons who have been convicted or pled guilty of embezzlement or misappropriation of public funds. It also states that the municipality or county shall not continue to employ a person who has been convicted or pled guilty in any court in which public funds were taken, obtained or misappropriated. Upon inquiry of County personnel, it has been determined that background checks were not performed for all County employees or newly hired employees.

HARRISON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Recommendation

Internal controls over the employee timekeeping system regarding access to employee time edits should be strengthened and enforced. All employees should be required to use the timekeeper, at all times. Only authorized County employees should be allowed to perform time edits for County employees with adequate justification.

We recommend that background checks are performed on all County employees and new hires in accordance with State law.

Board of Supervisors

Significant Deficiency

2015-005 Internal controls over insurance expenditures and related issues are inadequate.

Finding

In several instances, the County duplicated payment or overpaid vendors for insurance costs or premiums in fiscal year 2015. All insurance documents are not on file with the County, and in some instances, documents had to be obtained from the insurance vendors.

The County did not have all deputy tax collector clerks bonded as required by MS Code 27-1-9 which states, "Each deputy tax collector shall give bond to be payable, conditioned and approved as provided by law in amount not less than Fifty Thousand Dollars (\$50,000) for the faithful discharge of his duties. The County did not have all deputy tax assessor clerks bonded as required By MS Code 27-1-3 which states, "The assessor, with approval of the board of supervisors of the county, may appoint deputies, who shall take the oath of office, and shall be required by the assessor to give bond to him in an amount not less than Ten Thousand Dollars (\$10,000)..."

Recommendation

The insurance clerk should have processes in place to avoid duplicate payments or overpayment for insurance costs, and all policies and copies of invoices should be kept within the insurance clerk's office.

The County should ensure that all employees are properly bonded as required by MS Code.

HARRISON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Justice Court Clerk

Material Weakness (*Prior year finding*)

2015-006 The Justice Court Clerk aging schedule for fines receivable does not accurately reflect receivables due to the County.

Finding

The Justice Court Clerk was able to provide a schedule for the aging of Court's fines receivable. However, upon further investigation it was determined that the aging of the total amount of fines receivable also included assessments and other monies that are not valid receivables of the County, and the allowance for doubtful accounts is a rough estimate unsupported by systematic and periodic analysis of the outstanding accounts which is required to produce a reliable aging schedule. As a consequence, the Justice Court Clerk cannot provide an accurate statement of receivables for reporting purposes, and the lack of timely information could result in the loss of public funds by failing to collect on valid accounts.

Recommendation

After seeking Board approval, the Justice Court Clerk should consult with the Court software provider to implement a system for analyzing the various components of the receivables so that an accurate schedule for aging fines receivable can be produced and reviewed monthly as required for collection and reporting purposes. Any discrepancies noted in the review should be corrected.

Justice Court Clerk

Material Weakness

2015-007 The Justice court is inconsistently assessing collection fees for delinquent payments. In some instances, voided transactions are not approved by management. The Justice Court is not issuing the required form for refunds. The Justice court has "unidentified funds" in its cash accounts.

Finding

The in-house collection fee is inconsistently assessed and in some instances is assessed before the account's status is determined to be delinquent.

In some instances, voided receipts lack proper management review and approval.

The Office of the State Auditor's Assessment Guide states, "The Certificates of Eligibility form is a mandatory document. This form is issued by the Court Clerk to the person to be refunded."

During our testing of Justice Court cash, we noted that there were "unidentified funds" in the cash accounts.

HARRISON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Recommendation

The Justice Court Department should assess the in-house collection fee as set forth in MS Code 19-3-41. All voids should be approved by the court department manager with an explanation and documentation attached. Justice Court should issue and retain all Certificates of Eligibility as required by the Office of the State Auditor. We recommend procedures be implemented to correctly identify and record all Justice Court receipts to avoid "unidentified funds".

Circuit Clerk

Material Weakness (*Prior year finding*)

2015-008 The Circuit Clerk aging schedule for fines receivable does not accurately reflect receivables due to the County.

Finding

The Circuit Clerk was able to provide a schedule for the aging of Court's fines receivable. However, upon further investigation it was determined that the aging of the total amount of fines receivable included items that are not valid receivables of the County, and the allowance for doubtful accounts is a rough estimate unsupported by systematic and periodic analysis of outstanding accounts required to produce a reliable aging schedule. As a consequence, the Circuit Clerk cannot provide an accurate statement of receivables for reporting purposes, and the lack of timely information could result in the loss of public funds by failing to collect on valid accounts.

Recommendation

The Circuit Clerk, after seeking Board approval, should consult with the Court software provider to implement a system for analyzing the various components of the receivables so that an accurate schedule for aging fines receivable can be produced and reviewed monthly as required for collection and reporting purposes. Any discrepancies noted in the review should be corrected.

Circuit Clerk

Material Weakness (*Prior year finding*)

2015-009 Assessments should be correctly assessed on each court case and properly submitted to the State in accordance with State assessment codes.

Finding

Some Circuit Court assessments are inconsistently coded and do not agree with the codes as set forth by MS Code.

Recommendation

Procedures should be implemented to ensure that all court employees are properly coding all Circuit Court assessments to agree with MS Code.

HARRISON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Section 3: Federal Award Findings and Questioned Costs

2015-010

CFDA Number: 94.016
Federal Agency: Corporation for National and Community Service
Name of Federal Program: Senior Companion Program
Compliance Requirements: Eligibility
Allowable Costs

Finding Type: Compliance Findings and Other Matters required to be reported by OMB Circular A-133;
Significant Deficiency in Internal Control over Compliance

Findings: The Grantee is not reviewing volunteer placements regularly to ensure that clients are
eligible to be served or is not documenting them.

The Grantee is not conducting annual performance evaluations or is not maintaining
them.

Two volunteers are serving clients without the results of the FBI check, and one volunteer
does not have the results of the state of service/residence check in his file to verify it was
performed.

In several instances, volunteers did not serve the minimum of 15 hours per week, and
timesheets provided no explanation to justify the shortfall.

In several instances, volunteer sign-in sheets did not agree to timesheets; volunteers did
not sign-in at their stations; hours on timesheets were not added correctly; and approval
signatures were missing from the client or director.

Volunteer files have not been updated since 2013 to include current assignment plans,
needs assessments, work schedules, and letters of agreement.

Recommendation: Provide levels of staffing and resources appropriate to accomplish the purposes of the
project and carry out Grantee responsibilities.

In addition to governing regulations, adopt a code of conduct for Senior Companions, for
violation of which, disciplinary action may be taken.

Establish record keeping/reporting systems in compliance with Corporation requirements
that ensure quality of program and fiscal operations and facilitate timely and accurate
submission of required reports.

HARRISON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

2015-011

CFDA Number: 15.668
Federal Agency: Department of the Interior – Fish and Wildlife Service
Name of Federal Program: Coastal Impact Assistance Program
Compliance Requirements: Procurement (MS.24.711)
Reporting (MS.R.773)

Finding Type: Compliance Findings and Other Matters required to be reported by OMB Circular A-133;
Significant Deficiency in Internal Control over Compliance

Findings: The County did not comply with Federal procurement standards in awarding a contract for project management services because the County based its selection on the project managers' qualifications without considering price. Federal procurement standards prohibit using qualifications-based procurements, where price is not an evaluation factor, for non-A/E professional services such as project management (44 CFR 13.36(d)(3)(v)).

The Grantee did not complete and submit the annual or final financial and performance reports as required by the grant award.

Recommendation: The County should conduct all procurement transactions in a manner providing full and open competition as required under 44 CFR §13.36(c)(1), and make awards to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.

Establish record keeping/reporting systems to ensure timely and accurate submission of required reports.

2015-012

CFDA Number: 16.922
Federal Agency: Department of Justice – Criminal Division
Name of Federal Program: Equitable Sharing Program
Compliance Requirements: Allowable Costs
Reporting

Finding Type: Compliance Findings and Other Matters required to be reported by OMB Circular A-133

Findings: There is no documentation to support the Sheriff (agency head) authorized all expenditures from the federal sharing revenue account, as required.

In one instance, an expenditure spent from the revenue account was inadvertently not included on the annual form filed with the Department of Justice that details the actual amounts and uses of the federal asset sharing funds. This expenditure was a transfer to another fund to pay a portion of an allowable asset.

Recommendation: We recommend the Sheriff sign the purchase orders related to expenditures from the federal sharing revenue account to serve as documentation of authorization. We recommend a process be established to review all reports for accuracy, completeness, and compliance.

AUDITEE'S CORRECTIVE ACTION PLAN
AND SUMMARY OF PRIOR AUDIT FINDINGS



HARRISON COUNTY BOARD OF SUPERVISORS

1801 23RD Avenue, P.O. Drawer CC -- Gulfport, Mississippi 39502-0860
Telephone: (228) 865-4001 -- Email: co.harrison.ms.us



AUDITEE'S CORRECTIVE ACTION PLAN AND SUMMARY OF PRIOR AUDIT FINDINGS

July 12, 2016

Wright, Ward, Hatten & Guel, PLLC
P.O. Box 129
Gulfport, Mississippi 39502

Gentlemen:

Harrison County respectfully submits the following corrective action plan for the year ended September 30, 2015.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I: Summary of Auditor's Results does not include findings and is not addressed.

SECTION 2: FINANCIAL STATEMENT FINDINGS

2015-001 Corrective Action Planned:

Annual meetings with all employees handling grants will be conducted to make sure they continue to follow the policy and procedures related to federal and state grants. Spot checking will be done to verify that all grant reports and reimbursements are submitted accurately and in a timely manner and to make sure all allowable expenditures have been submitted for reimbursement. In the annual meeting, County Administrator will review all grant files and verify they are filled with supporting documentation such as grant award, grant budget and modifications, grant expenditure detail and reimbursement documentation, as well as any other required grant documentation by grant activity. Request that each file monthly reimbursements and if no activity then specify that for the month and maintain a copy of monthly statement of same. Only authorized County personnel will be allowed to enter into contracts on behalf of the County.

Anticipated Completion Date:

September 30, 2016

Name of Contact Person Responsible for Corrective Action:

Pamela Ulrich, 228-865-4116

2015-002

Corrective Action Planned:

We will review old outstanding checks in each fund to determine the proper disposition. The old payroll clearing account balance will be transferred to the funds they are due in fiscal year 2015.

Anticipated Completion Date:

September 30, 2016

Name of Contact Person Responsible for Corrective Action:

Pamela Ulrich, 228-865-4116

2015-003

Corrective Action Planned:

The County will establish and implement new policies and procedures for the rental of all the facilities within the County. These policies will include guidelines for the documentation of the rentals, collection of rental receipts and the subsequent disbursements of deposits, if necessary.

The agency has paid the County for two of the three payments due and final overdue payment should be received within 30 days. The County will implement a more accurate invoice system and institute better checks and balances on rental income to the County making sure to update information each month as transactions occur.

September 30, 2016

Name of Contact Person Responsible for Corrective Action:

Pamela Ulrich, 228-865-4116

2015-004

Corrective Action Planned:

Internal controls over the employee timekeeping system regarding access to employee edits will be strengthened and enforced. It will be mandatory that all County employees be required to use the timekeeper, at all times. Only authorized County employees will be allowed to perform time edits for County employees with adequate justification.

As per statute, Miss. Code Ann. 25-1-113 which prohibits the hiring of any persons who have been convicted or pled guilty of embezzlement or misappropriation of public funds; therefore background checks will be performed on all County employees and new hires in accordance with State law.

Anticipated Completion Date:

September 30, 2016

Name of Contact Person Responsible for Corrective Action:

Pamela Ulrich, 228-865-4116

2015-005

Corrective Action Planned:

Harrison County Justice Court is aware that we should have a Receivables Report that breaks down the amount due by each cost code so that we may determine the actual receivable amount due the County which does not include state assessments. Justice Court contacted our software vendor CSDC. They advised we are at the end of life for the version of our software and they are unable to provide a custom report that would identify the various components of the receivables. The Harrison County IT director is currently discussing with CSDC about an upgrade at a reasonable cost.

Harrison County Justice Court is making a diligent attempt to collect all fines due the county. Harrison County Justice Court sends cases that are over ninety days delinquent to our collection agency several times a year. Justice Court attempts to ensure the efficient and timely collection of all fines and court costs levied.

Anticipated Completion Date:

September 30, 2016

Name of Contact Person Responsible for Corrective Action:

Greg Illich, 228-865-4213

2015-006

Corrective Action Planned:

Justice Court implemented a new pre-numbered receipt for all civil monies received over the counter. The only exception to this control is receipts that could be generated from the court system while the customer waited. This would be post judgment filings such as a Warrant to Tenant. We are reconciling the pre-numbered receipts with the computer generated receipts to help prevent and deter misappropriations of monies collected by Justice Court.

We are pulling samples of files from the court dockets to help ensure that all data is entered correctly in the system. We are also making sure that all documentation has been submitted to the State.

Justice Court will attempt to identify the unidentified monies from prior years. Justice Court will complete a Distribution of Cash each month moving forward to help ensure the unidentified money amount doesn't change. If we notice a change in the amount, this can then help determine how and what happened.

Anticipated Completion Date:

September 30, 2016

Name of Contact Person Responsible for Corrective Action:

Connie Ladner, 228-865-1635

2015-007

Corrective Action Planned:

We are aware of the deficiencies in the current software program. We will continue to print and review the A/R Aging Report on the last day of the month and correct any discrepancies that are discovered.

The State Electronic Filing System (MEC) is continuing to work on their accounting software as stated in the prior year response. MEC is aware of the deficiencies that the Circuit Clerk is presently experiencing, and the Circuit Clerk's inability to produce aging reports to comply with State Auditor requirements. In addition, the Circuit Clerk has met with the IT Department and discussed the possibility of implementing a newer version of the current software program that is being used.

Anticipated Completion Date:

September 30, 2016

Name of Contact Person Responsible for Corrective Action:

Connie Ladner, 228-865-1635

2015-008

Corrective Action Planned:

The Circuit Clerk has obtained a copy of the Assessment Guide for the State of Mississippi and will take the necessary actions to correct all assessment codes that are currently incorrect in the coding system. In addition, the Circuit Clerk will implement the proper procedures to ensure that all court employees are properly reporting and coding assessments to each case based on the offense.

Anticipated Completion Date:

September 30, 2016

Name of Contact Person Responsible for Corrective Action:

Connie Ladner, 228-865-1635

2015-009

Corrective Action Planned:

The Circuit Clerk has obtained the most recently updated copy of the Assessment Guide for the State of Mississippi and corrected the assessment code that was incorrect in the coding system. The Circuit Clerk's Office was reporting the \$140.00 Expungement assessment to the county using the District Attorney's Operation Fund (\$100.00/expungement) and Judicial Operation Fund (\$40.00/expungement) assessment codes. The Circuit Clerk is currently reporting all Expungement assessments to the County using the settlement code "EXP."

Anticipated Completion Date:

September 30, 2016

Name of Contact Person Responsible for Corrective Action:

Connie Ladner, 228-865-1635

Federal Award Findings Responses

2015-010 Corrective Action Planned:

Placements are being reviewed on a regular and ongoing basis; however, the placement information was not properly filed in the client's folder. All placements are now being filed in the companion's individual folders. All updated filing will be completed by Thursday of each week.

Annual Performance Evaluations had been completed in companion's folders reviewed but had not been filed away. Instead of being in the folders where they should have been, folders were stacked in order on director's desk.

Although results have not been received for FBI background checks, the request has been initiated and a copy of the check verifying same has been placed in the folder of each companion in question. The state of service/residence check for was overlooked and has now been placed in companion's folder.

In some instances, minimum hours are not met for reasons beyond the senior companion's control (e.g.) illness, etc., a written statement will now be required and the explanation placed with the clients timesheet.

Sign in practices will be reviewed with senior companions at the next monthly training meeting in July. Sign in sheets will be double checked for accuracy against the time sheets. Staff will pick up time sheets from stations once a month on the first work day following the end of each month. Time sheet turn in has been changed to give time for proper review, time issues, accounting, & missing signatures. All time sheets will be reviewed and all appropriate signatures will be required prior to claim form being issued.

In order to bring this program in full compliance, a complete evaluation will be conducted over the next 30 days. Measures will be taken to make the appropriate corrective action. Harrison County Senior Resources Services Coordinator who has a bookkeeping background will be assigned to help monitor and review the financial records. The SRA Program Specialist will assist in the evaluation of program compliance issues.

Anticipated Completion Date:

September 30, 2016

Name of Contact Person Responsible for Corrective Action:

Janice Green, 228-896-0214

2015-011 Corrective Action Planned:

All County personnel that are involved with procurement with federal funds and those over grant management have been provided with the Code of Federal Regulations guidance on all procurement standards for use with federally funded projects. All future procurement transactions involving federal funds will be in compliance with federal guidelines and will be reviewed to ensure accuracy.

The County was a sub-grantee with the Department of Marine Resources, DMR, for one particular grant in which the DMR was the oversight agency that prepared the financial reporting as required by the federal grant program. The DMR did not provide the County with copies of the required reports, and therefore, were not in the grant files for compliance documentation. In the future, we will ensure that all grant documentation, including financial reports, will be in the grant files.

Anticipated Completion Date:

September 30, 2016

Name of Contact Person Responsible for Corrective Action:

Pamela Ulrich, 228-865-4116

2015-012 Corrective Action Planned:

All expenditures from the Federal Forfeiture account are approved by the Board of Supervisors. By the fact that any expenditure is placed on the Board agenda is evidence that the Sheriff has knowledge of and approves of the Federal Forfeiture expenditure. The item that I referred to in my previous response as the purchase order requisition is actually the request for purchases that is used by our department in order to do a purchase requisition. That request is initiated by the Sheriff and is what authorizes Ms. Fran to request a purchase order.

In the future we will make sure that the Sheriff initials all Federal Forfeiture expenditure request and that a copy of that request is made part of the paperwork sent to Bookkeeping.

In filing my annual Equitable Sharing Report for Federal Forfeiture expenditures I pull the Cash Disbursements Ledger (CDL) and account for the funds spent on that report to the penny. Recently, it has been brought to my attention that the CDL report may not accurately show the correct amount actually spent. In the future I will request that the County Comptroller provide me the proper expenditure report that I need to use. In addition, I will file a corrected report with the Department of Justice.

Anticipated Completion Date:

September 30, 2016

Name of Contact Person Responsible for Corrective Action:

Pete Moran, 228-297-1981

