



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.



HARRISON COUNTY, MISSISSIPPI  
Audited Financial Statements  
and Special Reports  
For the Year Ended September 30, 2016

# HARRISON COUNTY, MISSISSIPPI

## TABLE OF CONTENTS

FINANCIAL SECTION .....	1
INDEPENDENT AUDITORS' REPORT.....	2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	5
FINANCIAL STATEMENTS.....	16
Statement of Net Position.....	17
Statement of Activities.....	19
Balance Sheet - Governmental Funds.....	20
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	22
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	23
Statement of Net Position - Proprietary Fund.....	24
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund.....	25
Statement of Cash Flows - Proprietary Fund.....	26
Statement of Fiduciary Assets and Liabilities.....	27
Notes to the Financial Statements.....	28
REQUIRED SUPPLEMENTARY INFORMATION.....	68
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) General Fund.....	69
Notes to the Required Supplementary Information - Budgetary Schedules.....	70
Schedule of Funding Progress - Other Postemployment Benefits.....	71
Schedule of County's Proportionate Share of the Net Pension Liability.....	72
Schedule of County Contributions.....	73
Notes to the Required Supplementary Information - Pension Schedules.....	74
SUPPLEMENTAY INFORMATION.....	75
Schedule of Expenditures of Federal Awards.....	76
OTHER INFORMATION.....	
Schedule of Surety Bonds for County Officials.....	79
SPECIAL REPORTS.....	81
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	82
Independent Auditors' Report on Compliance for Each Major Program and on on Internal Control Over Compliance Required by Uniform Guidance.....	84
Independent Accountants' Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972)).....	87
Limited Internal Control and Compliance Review Management Report.....	94
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	96
AUDITEE'S CORRECTIVE ACTION PLAN AND SUMMARY OF PRIOR AUDIT FINDINGS.....	102
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	106

## FINANCIAL SECTION

# 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

GULFPORT, MISSISSIPPI 39502

MICHAEL E. GUEL, CPA, CVA, PFS, CFP®, CFE  
SANDE W. HENTGES, CPA, CFE

CHRIS TAYLOR, CPA  
CHARLENE KERKOW, CPA

MEMBERS  
AMERICAN INSTITUTE OF CPAS  
MISSISSIPPI SOCIETY OF CPAS

TELEPHONE (228) 863-6501  
FAX NUMBER (228) 863-6544  
EMAIL: THECPAFIRM@AOL.COM

## INDEPENDENT AUDITORS' REPORT

June 20, 2017

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, 2016, 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 23, 2017, in which we issued unmodified opinions. Harrison County Development Commission represents 9 percent, 96 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 Adverse Opinion on the Aggregate Discretely Presented Component Unit – Mississippi Gulf Coast Coliseum Commission.***

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

***Adverse Opinion***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component unit of the Mississippi Coast Coliseum Commission, a Component Unit of Harrison County, Mississippi, as of September 30, 2016, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Qualified Opinion on 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 \$8,230,286, as of September 30, 2016.

***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, 2016, 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 each major fund and the aggregate remaining fund information of Harrison County, Mississippi, as of September 30, 2016, 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.

## ***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, 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, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards 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. Such information 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated June 20, 2017, 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 W. Keith, Jr.*



## MANAGEMENT'S DISCUSSION AND ANALYSIS

HARRISON COUNTY, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2016  
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, 2016. 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, 2016, is 203,234. The median household income for 2015 was \$41,722 with over 85.5% 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 increased \$2,118,535, which includes a prior period adjustment in the amount of \$17,545, which represents a 242% increase from the prior fiscal year. The County's primary government's ending cash balance decreased by \$2,172,046 which represents a 3.1% decrease from the prior fiscal year.

The County's primary government had \$110,139,281 in total revenues. Tax revenues, including property taxes, road & bridge taxes, taxes in lieu-federal government and gaming taxes account for \$66,751,525 or 61% of total revenues. State and federal revenues in the form of reimbursements, shared revenue, operating and capital grants, account for \$30,957,431 or 28% of total revenues. Charges for services performed by the County account for \$9,721,031 or 9% of total revenues, and interest combined with other miscellaneous revenues account for the remaining \$2,709,294 or 2% of total revenues.

The County had \$108,038,291 in total primary government expenses, which represents an increase of \$1,993,043 or 1.9% increase from the prior fiscal year. Expenses in the amount of \$33,890,179 were offset by grants and charges for services. General revenues of the primary government of \$76,249,102 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$57,696,849 in revenues plus \$3,384,654 in other financing sources and uses, and \$62,917,376 in expenditures. The General Fund's fund balance decreased \$1,835,873 over the prior year.

Capital assets of the primary government, net of accumulated depreciation, increased by \$167,105 due primarily to additions of capital assets of \$6,575,479 and depreciation expense of \$6,124,502.

Long-term debt of the primary government decreased by \$7,789,300 which includes payment of bonds, loans and leases in the amount of \$21,158,740, new debt issuances in the amount of \$13,155,148 an increase in compensated absences of \$21,220 and amortization of bond discounts and premiums and deferred amounts of refunding for a net amount of \$193,072.

HARRISON COUNTY, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2016  
UNAUDITED

***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

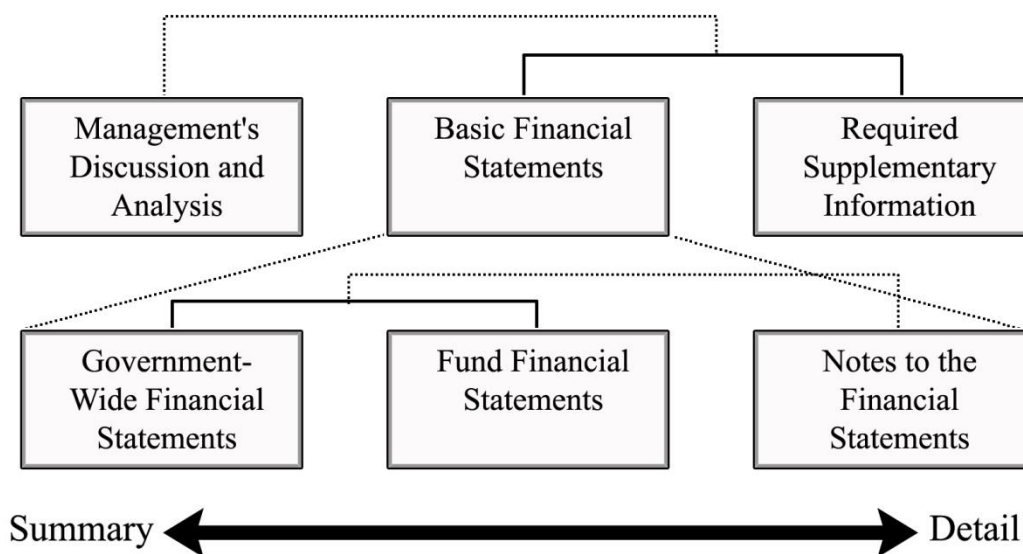


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

HARRISON COUNTY, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2016  
UNAUDITED

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

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

	<b>Government-Wide Financial Statements</b>	<b>Fund Financial Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	<b>Entire County government (except fiduciary funds) and component units</b>	<b>All activities of the County that are not business-type or fiduciary in nature</b>	<b>Activities of the County that operate similar to private business</b>	<b>The County is the trustee or agent for someone else's resources</b>
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in net position</li> </ul>
<b>Accounting basis and measurement focus</b>	<b>Accrual accounting and economic resources focus</b>	<b>Modified accrual accounting and current financial resources focus</b>	<b>Accrual accounting and economic resources focus</b>	<b>Accrual accounting and economic resources focus</b>
<b>Type of asset, deferred outflow, liability inflow information</b>	<b>All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital and short and long term</b>	<b>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</b>	<b>All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital, and short and long term</b>	<b>All assets, deferred outflows, liabilities, and deferred inflows, both short and long term</b>
<b>Type of inflow/outflow information</b>	<b>All revenues and expenses during year, regardless of when cash is received or paid</b>	<b>Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter</b>	<b>All revenues and expenses during year, regardless of when cash is received or paid</b>	<b>All revenues and expenses during year, regardless of when cash is received or paid</b>

HARRISON COUNTY, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2016  
UNAUDITED

**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 deferred outflows and liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities). 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
- The Mississippi Coast Coliseum Commission (financial statements were not available therefore not presented in report)

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, 2016  
UNAUDITED

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 28-67 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 69 of this report.

Additionally, a schedule of expenditures of federal awards is required by the Uniform Guidance and can be found on pages 75-76 of this report.

HARRISON COUNTY, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2016  
UNAUDITED

**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 \$1,244,551 as of September 30, 2016.

By far, the largest portion of the County's net position \$80,373,944 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. The following table presents a summary of the County's net position for the fiscal year ended September 30, 2016.

**Table 1**  
HARRISON COUNTY, MISSISSIPPI  
Condensed Statement of Net Position  
September 30, 2016 and 2015

	Primary Government Governmental Activities	
	2016	2015
Assets		
Current assets	\$ 136,204,091	133,893,930
Capital assets, net	162,314,143	162,147,038
Total Assets	<u>298,518,234</u>	<u>296,040,968</u>
Deferred Outflow of Resources	<u>51,181,954</u>	<u>40,229,338</u>
Liabilities		
Current liabilities	9,448,167	10,071,929
Long-term debt outstanding	159,468,779	165,705,839
Other noncurrent liabilities	92,913,267	80,392,901
Total Liabilities	<u>261,830,213</u>	<u>256,170,669</u>
Deferred Inflow of Resources	<u>86,625,424</u>	<u>80,973,621</u>
Net Position		
Net investment in capital assets	80,373,944	75,982,380
Restricted	47,989,936	53,299,932
Unrestricted	(127,119,329)	(130,156,296)
Total Net Position	<u>\$ 1,244,551</u>	<u>(873,984)</u>

HARRISON COUNTY, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2016  
UNAUDITED

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.
- A net decrease in the amount of \$7,810,520 of long-term debt principal, excluding compensating absences.
- Capital assets increased by \$167,105 primarily from construction in process.

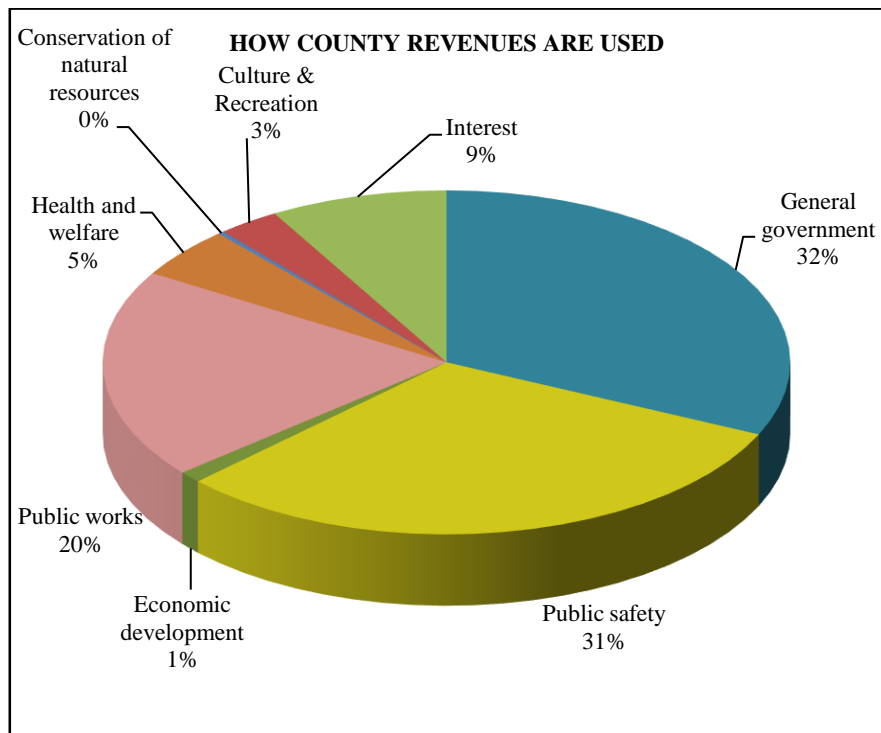
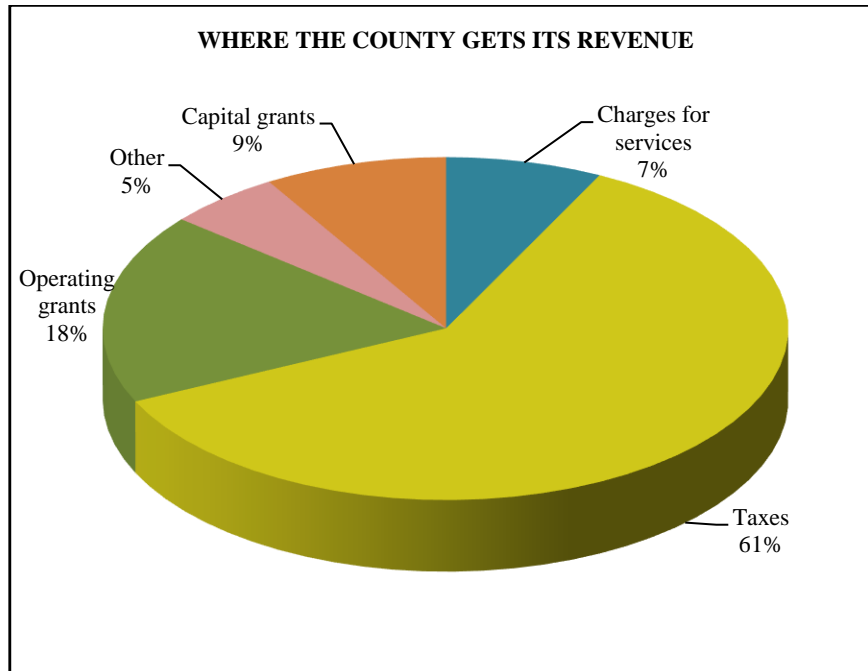
**Changes in Net Position** – Harrison County's total revenues in the primary government for the fiscal year ended September 30, 2016 were \$110,139,281. The total cost for all services provided by the primary government was \$108,038,291. The increase in net position was \$2,100,990. The following table presents a summary of the changes in net position for the fiscal year ended September 30, 2016.

**Table 2**  
HARRISON COUNTY, MISSISSIPPI  
Condensed Statement of Activities  
For Year Ended September 30, 2016 and 2015

	2016	2015
Revenues		
Charges for services	\$ 9,721,031	13,553,531
Operation grants and contributions	14,659,149	11,366,290
Capital grants and contributions	9,509,999	6,255,762
General revenues	76,249,102	78,698,813
Total Revenues	<u>110,139,281</u>	<u>109,874,396</u>
Program Expenses		
General government	34,442,023	32,469,026
Public safety	33,462,014	32,617,691
Public works	21,322,612	22,789,161
Health and welfare	5,174,265	4,897,309
Culture and recreation	3,152,331	2,974,435
Conservation of natural resources	295,761	212,949
Economic development and assistance	1,167,465	1,871,498
Interest on long-term debt	9,021,820	8,213,179
Total Expenses	<u>108,038,291</u>	<u>106,045,248</u>
Change in Net Position	<u>2,100,990</u>	<u>3,829,148</u>
Beginning Net Position, as previously reported	(873,984)	65,508,587
Prior period adjustment	17,545	(70,211,719)
Beginning Net Position, restated	<u>(856,439)</u>	<u>(4,703,132)</u>
Ending Net Position	<u>\$ 1,244,551</u>	<u>(873,984)</u>



HARRISON COUNTY, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2016  
UNAUDITED



HARRISON COUNTY, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2016  
UNAUDITED

**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	\$ 34,442,023	\$ (27,162,737)
Public Safety	33,462,014	(21,550,377)
Public Works	21,322,612	(8,058,546)
Health and Welfare	5,174,265	(4,130,571)
Culture and Recreation	3,152,331	(2,915,928)
Conservation of Natural Resources	295,761	(140,668)
Economic Development and Assistance	1,167,465	(1,167,465)
Interest on Long-term Debt	9,021,820	(9,021,820)

***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 \$66,170,383, a decrease of \$2,402,068. The primary reasons for this decrease are highlighted in the analysis of governmental activities.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$1,835,873.

***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.

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  
For the Year Ended September 30, 2016  
UNAUDITED

***CAPITAL ASSETS AND DEBT ADMINISTRATION***

Capital Assets – As of September 30, 2016, Harrison County's total capital assets was \$315,004,255. 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 \$5,602,201 from the previous year of \$309,402,054. The majority of this increase is due to additional capital assets purchased and constructed of \$6,575,479 and the deletion of \$973,278 of obsolete equipment.

Total accumulated depreciation as of September 30, 2016, was \$152,690,112, including \$6,124,502 of depreciation expense for the year. The balance in total net capital assets was \$162,314,143 at year-end.

Additional information on Harrison County's capital assets can be found in Note 8 on page 43 of this report.

**Debt Administration** – At September 30, 2016, Harrison County had \$153,488,221 in long-term debt outstanding, net of discounts and premiums. Total debt shown in Note 13 is 156,048,442. This amount less compensated absences of 2,560,221 is 153,488,221. There is also a deferred outflow associated with long-term debt in the amount of \$3,420,337. This includes general obligation bonds, revenue bonds, and obligations under capital lease. Of this debt, \$8,309,498 is due within one year.

Included in long-term non-capital debt is \$2,560,221 in compensated absences. This amount increased \$21,220 from the prior year amount of \$2,539,001. The total debt due within one year in Note 13 is 8,565,520. This amount less compensated absences of 256,022 is 8,309,498.

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 \$145,865,000 or 6.73% of total assessed value.

Additional information on Harrison County's long-term debt can be found in Note 13 on page 55 of this report.

***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**Exhibit 1

## Statement of Net Position

September 30, 2016

	<u>Primary Government</u>	<u>Component Unit</u>
	Governmental Activities	Harrison County Development Commission
<b>ASSETS</b>		
Cash	\$ 67,016,801	2,852,857
Investments	-	3,666,390
Accrued interest receivable	-	16,000
Property tax receivable	52,620,892	-
Premium receivable	1,049,623	-
Fines receivable (net of allowance for uncollectible of \$30,195,869)	8,230,286	-
Intragovernmental balances	2,232,527	(2,232,527)
Intergovernmental receivables	4,542,889	2,102,471
Loans receivable	62,128	-
Land inventory	-	9,512,955
Prepaid expenses	448,945	45,115
Restricted assets:		
Cash	-	23,341
Capital assets:		
Land and construction in progress	21,419,873	747,230
Other capital assets, net	140,894,270	10,687,217
Total Assets	<u>\$ 298,518,234</u>	<u>27,421,049</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amounts on bond refunding	\$ 3,420,337	-
Deferred effective interest rate swaps	33,354,641	-
Deferred amounts on pension	14,406,976	372,371
Total Deferred Outflows of Resources	<u>\$ 51,181,954</u>	<u>372,371</u>

*Continued next page*

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

**HARRISON COUNTY, MISSISSIPPI**Exhibit 1

## Statement of Net Position

September 30, 2016

	<u>Primary Government</u>	<u>Component Unit</u>
	Governmental Activities	Harrison County Development Commission
<b>LIABILITIES</b>		
Claims payable	\$ 3,800,584	75,373
Wages payable	756,641	-
Retainage payable	169,761	-
Intergovernmental payables	2,831,277	327
Accrued interest payable	461,978	5,179
Intragovernmental balances	104,197	-
Unearned revenue	247,779	-
Amounts held in custody	333,969	-
Claims and judgments payable	741,981	-
Payable from restricted assets:		
Customer deposits	-	12,070
Long-term liabilities		
Other postemployment benefit obligation	1,814,532	-
Net pension liability	91,098,735	1,198,395
Due within one year:		
Capital debt	7,523,111	28,145
Non-capital debt	1,042,409	30,173
Due in more than one year:		
Capital debt	76,792,370	146,081
Non-capital debt	74,110,889	14,485
Total Liabilities	<u>\$ 261,830,213</u>	<u>1,510,228</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Hedging derivative instruments	\$ 33,354,641	-
Deferred property tax revenue	52,245,313	-
Deferred amounts on pension	1,025,470	56,665
Total Deferred Inflows of Resources	<u>\$ 86,625,424</u>	<u>56,665</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 80,373,944	10,992,775
Restricted:		
Nonexpendable	665,741	45,115
Expendable		
Debt service	23,569,380	-
Public safety	8,950,792	-
Health and welfare	2,355,216	-
Capital projects	12,448,807	-
Unrestricted	(127,119,329)	15,188,637
Total Net Position	<u>\$ 1,244,551</u>	<u>26,226,527</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, 2016

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense)Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Harrison County Development Commission
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 34,442,023	5,611,158	1,668,128	-	(27,162,737)	
Public safety	33,462,014	3,980,678	4,543,964	3,386,995	(21,550,377)	
Public works	21,322,612	129,195	7,563,378	5,571,493	(8,058,546)	
Health and welfare	5,174,265	-	758,393	285,301	(4,130,571)	
Culture and recreation	3,152,331	-	71,019	165,384	(2,915,928)	
Conservation of natural resources	295,761	-	54,267	100,826	(140,668)	
Economic development and assistance	1,167,465	-	-	-	(1,167,465)	
Interest on long-term debt	9,021,820	-	-	-	(9,021,820)	
Total Primary government	<u>\$ 108,038,291</u>	<u>9,721,031</u>	<u>14,659,149</u>	<u>9,509,999</u>	<u>(74,148,112)</u>	
<b>Component units:</b>						
Governmental activities:						
Harrison County Development Commission	\$ 4,122,672	461,761	-	2,136,757		(1,524,154)
Business-type activities:						
Harrison County Development Commission	606,728	672,670	-	-		65,942
Total component units	<u>\$ 4,729,400</u>	<u>1,134,431</u>	<u>-</u>	<u>2,136,757</u>		<u>(1,458,212)</u>
<b>General revenues:</b>						
Property taxes				\$ 58,101,993	-	
Road & bridge privilege taxes				2,363,910	-	
Taxes in lieu - federal government				79,655	-	
Gaming taxes				6,205,967	-	
Grants and contributions not restricted to specific programs				6,788,283	-	
Unrestricted gifts and donations				80,997	-	
Investment income				161,757		39,196
Miscellaneous				2,466,540		62,807
Total general revenues				<u>76,249,102</u>		<u>102,003</u>
Changes in net position				<u>2,100,990</u>		<u>(1,356,209)</u>
Net position - beginning, as previously reported				(873,984)		27,582,736
Prior period adjustment				17,545		-
Net position - beginning, as restated				<u>(856,439)</u>		<u>27,582,736</u>
Net position - ending				<u>\$ 1,244,551</u>		<u>26,226,527</u>

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

**HARRISON COUNTY, MISSISSIPPI****Exhibit 3**

## Balance Sheet - Governmental Funds

September 30, 2016

	Major Funds			
	General	County Port	Other	Total
	Fund	Bond & Interest	Governmental	Governmental
		Sinking Fund	Funds	Funds
ASSETS				
Cash	\$ 16,442,086	8,828,765	41,930,617	67,201,468
Property tax receivable	37,325,838	-	15,295,054	52,620,892
Fines receivable (net of allowance for uncollectible of \$30,195,869)	8,230,286	-	-	8,230,286
Loans receivable	267,446	-	2,027,209	2,294,655
Intergovernmental receivables	1,623,475	94,083	2,825,331	4,542,889
Due from other funds	138,627	4,962,130	508,674	5,609,431
Total Assets	<u>\$ 64,027,758</u>	<u>13,884,978</u>	<u>62,586,885</u>	<u>140,499,621</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 1,065,258	-	2,735,326	3,800,584
Wages payable	604,996	-	151,645	756,641
Retainage payable	-	-	169,761	169,761
Intergovernmental payables	2,831,277	-	-	2,831,277
Due to other funds	577,949	34,922	5,100,757	5,713,628
Unearned revenue	-	-	247,779	247,779
Amounts held in custody for others	333,969	-	-	333,969
Total Liabilities	<u>\$ 5,413,449</u>	<u>34,922</u>	<u>8,405,268</u>	<u>13,853,639</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 36,950,259	-	15,295,054	52,245,313
Unavailable revenue - fines	8,230,286	-	-	8,230,286
Total deferred inflows of resources	<u>\$ 45,180,545</u>	<u>-</u>	<u>15,295,054</u>	<u>60,475,599</u>
Fund balances:				
Nonspendable:				
Loans receivable	\$ 267,446	-	2,027,209	2,294,655
Unemployment escrow	-	-	154,668	154,668
Restricted for:				
Debt service	-	13,850,056	9,708,555	23,558,611
Public safety	-	-	897,416	897,416
Health and welfare	-	-	183,492	183,492
Capital projects	-	-	10,483,726	10,483,726
Committed to:				
Public safety	-	-	7,784,326	7,784,326
Public works	-	-	8,489,322	8,489,322
Health and welfare	-	-	2,171,724	2,171,724
Conservation of natural resources	-	-	683	683
Economic development	-	-	29,582	29,582
Assigned to:				
General government	-	-	16,663	16,663
Unassigned	13,166,318	-	(3,060,803)	10,105,515
Total Fund Balances	<u>\$ 13,433,764</u>	<u>13,850,056</u>	<u>38,886,563</u>	<u>66,170,383</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 64,027,758</u>	<u>13,884,978</u>	<u>62,586,885</u>	<u>140,499,621</u>

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



**HARRISON COUNTY, MISSISSIPPI**

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
September 30, 2016

Exhibit 3-1

Total funds balance - Governmental Funds \$ 66,170,383

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. 162,314,143

Other long-term assets are not available to pay for current period expenditures and, assets are used in governmental activities and are not financial resources and therefore, are deferred in the funds. 8,230,286

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. (156,048,442)

Other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds. (1,814,532)

Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds. (91,098,735)

Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds. (461,978)

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	14,406,976	
Deferred inflows of resources related to pensions	(1,025,470)	13,381,506

Deferred inflows or deferred outflows from the changes in fair value on hedging derivative instruments are not due and payable in the current period and, therefore, are not reported in the funds.

Deferred effective interest rate swaps - outflows	33,354,641	
Derivative hedging instruments	(33,354,641)	-

Prepaid items, such as prepaid insurance, are accounted for as expenditures in the period of acquisition and, therefore are not reported in the funds. 448,945

Internal service funds are used by management to charge the cost of various insurance premiums and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 122,975

Total Net Position - Governmental Activities \$ 1,244,551

The notes to the financial statement 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, 2016

Exhibit 4

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	County Port Bond & Interest Sinking Fund		
<b>REVENUES</b>				
Property taxes	\$ 39,677,451	-	18,424,542	58,101,993
Road and bridge privilege taxes	-	-	2,363,910	2,363,910
Licenses, commissions and other revenue	3,795,783	-	-	3,795,783
Fines and forfeitures	1,424,817	-	800,181	2,224,998
Intergovernmental revenues	8,267,180	2,185,034	22,315,169	32,767,383
Charges for services	2,281,717	-	4,098,508	6,380,225
Interest income	78,400	13,163	70,174	161,737
Miscellaneous revenues	2,171,501	-	593,587	2,765,088
Total Revenues	57,696,849	2,198,197	48,666,071	108,561,117
<b>EXPENDITURES</b>				
Current:				
General government	27,796,358	-	1,314,089	29,110,447
Public safety	25,866,263	-	4,387,465	30,253,728
Public works	48,711	-	23,090,964	23,139,675
Health and welfare	4,380,291	-	617,042	4,997,333
Culture and recreation	2,777,373	-	589,549	3,366,922
Conservation of natural resources	148,988	-	172,950	321,938
Economic development and assistance	1,010,846	-	-	1,010,846
Debt service:				
Principal	588,719	370,754	7,274,267	8,233,740
Interest	259,500	220,780	8,649,422	9,129,702
Other debt service costs	40,327	20,903	1,298,325	1,359,555
Total Expenditures	62,917,376	612,437	47,394,073	110,923,886
Excess of Revenues over/(under) Expenditures	(5,220,527)	1,585,760	1,271,998	(2,362,769)
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued	230,148	-	-	230,148
Refunding bonds issued	3,552,676	2,090,289	7,282,035	12,925,000
Payment to bond refunding escrow agent	(44,236)	(26,027)	(90,672)	(160,935)
Premiums on bonds issued	570,449	335,635	1,169,268	2,075,352
Debt service principal - refunding bonds	(4,043,362)	(2,378,994)	(8,287,810)	(14,710,166)
Transfers in	3,996,797		1,479,120	5,475,917
Transfers out	(877,818)	(1,000,000)	(3,996,797)	(5,874,615)
Total Other Financing Sources and Uses	3,384,654	(979,097)	(2,444,856)	(39,299)
Net Changes in Fund Balances	(1,835,873)	606,663	(1,172,858)	(2,402,068)
Fund Balances - Beginning	15,269,637	13,243,393	40,059,421	68,572,451
Fund Balances - Ending	\$ 13,433,764	13,850,056	38,886,563	66,170,383

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, 2016

Exhibit 4-1

Net changes in fund balances -governmental funds \$ (2,402,068)

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 \$6,575,479 exceeded depreciation of \$6,124,502 in the current period.

450,977

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 \$283,872.

(283,872)

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.

1,819,492

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 \$21,158,740 exceeded debt proceeds of 13,155,148.

8,003,592

Issuance of long-term debt (refunding bonds) provides current financial resources to the governmental funds, while the principal payments and payment to escrow for refunded debt consumes financial resources. Neither transaction, however, has any effect on net assets. In addition, government funds report the effect of premiums, discounts and deferred amounts on refunding when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Current year refunding bonds issued resulted in the following:

Bond premium on refunding bonds	(2,075,352)
Decrease of bond premium	(8,581)
Deferred amounts on refunding	1,785,166

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	354,257
Increase in amortization of discount	(24,217)
Increase in deferred amounts on refunding	(224,345)
Increase in compensated absences	(21,220)
Increase in other post employment benefits payable	(257,574)
Decrease in accrued interest payable	10,769

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	(4,028,798)
Contributions after the measurement date	(1,399,906)

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.

297,240

Internal service funds are used to charge the costs of certain activities, such as insurance costs and risk management, to individual funds.

105,430

Change in net position of governmental activities \$ 2,100,990

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

**HARRISON COUNTY, MISSISSIPPI**

Statement of Net Position - Proprietary Fund

September 30, 2016

Exhibit 5

	Governmental Activities		
	Self-Insurance Fund	Tort Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ -	208,194	208,194
Premiums receivable	1,049,623	-	1,049,623
Total Assets	1,049,623	208,194	1,257,817
LIABILITIES			
Cash and Cash Equivalents (Overdraft)	392,861	-	392,861
Claims and judgments payable	656,762	85,219	741,981
Total Liabilities	1,049,623	85,219	1,134,842
NET POSITION			
Restricted for claims	\$ -	122,975	122,975

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

**HARRISON COUNTY, MISSISSIPPI**  
Statement of Revenues, Expenses and Changes in  
Net Position - Proprietary Fund  
For the Year Ended September 30, 2016

Exhibit 6

	Governmental Activities		
	Self-Insurance Fund	Tort Fund	Total
Operating Revenues			
Insurance reimbursements	\$ -	42,524	42,524
Premiums	7,920,992	-	7,920,992
Total Revenues	7,920,992	42,524	7,963,516
Operating Expenses			
Claims payments	7,259,943	117,753	7,377,696
Legal	-	211,911	211,911
Administrative	661,049	6,148	667,197
Total Operating Expenses	7,920,992	335,812	8,256,804
Operating Income (Loss)	-	(293,288)	(293,288)
Nonoperating Revenues (Expenses)			
Interest income	-	20	20
Net Nonoperating Revenue (Expenses)	-	20	20
Net Income (Loss) Before Capital Contributions, Special and Extraordinary Items and Transfers	-	(293,268)	(293,268)
Transfers in	-	398,698	398,698
Changes in Net Position	-	105,430	105,430
Net Position - Beginning, as previously reported	-	-	-
Prior period adjustment	-	17,545	17,545
Net Position - Beginning, as restated	-	17,545	17,545
Fund Balances - Ending	\$ -	122,975	122,975

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, 2016

Exhibit 7

	Governmental Activities		
	Self-Insurance Fund	Tort Fund	Total
Cash Flows from Operating Activities			
Receipts for insurance reimbursements	\$ -	42,524	42,524
Receipts for premiums	8,533,994	-	8,533,994
Payments for claims	(8,046,771)	(269,275)	(8,316,046)
Payments for operating expenses	(650,912)	(218,497)	(869,409)
Net Cash used in Operating Activities	(163,689)	(445,248)	(608,937)
Cash Flows from Investing Activities			
Interest income	-	20	20
Net Cash Provided by Investing Activities	-	20	20
Cash flows from non-capital financing activities:			
Advances from (to) other funds	-	398,698	398,698
Net cash provided by non-capital financing activities	-	398,698	398,698
Net Decrease in Cash and Cash Equivalents	(163,689)	(46,530)	(210,219)
Cash and Cash Equivalents at Beginning of Year	(229,172)	254,724	25,552
Cash and Cash Equivalents	-	208,194	208,194
Cash and Cash Equivalents (Overdraft)	(392,861)	-	(392,861)
Total Cash and Cash Equivalents (Overdraft) at End of Year	\$ (392,861)	208,194	(184,667)
Operating income (loss)	\$ -	(293,288)	(293,288)
(Increase) in premium receivable	613,002	-	613,002
Increase in claims and judgments liability	(776,691)	(151,960)	(928,651)
Total adjustments	\$ (163,689)	(445,248)	(608,937)

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

**HARRISON COUNTY, MISSISSIPPI**

## Statement of Fiduciary Assets and Liabilities

September 30, 2016

Exhibit 8

	Agency Funds
<hr/>	
ASSETS	
Cash	\$ 2,982,427
Due from other funds	<u>104,197</u>
Total Assets	<u><u>\$ 3,086,624</u></u>
LIABILITIES	
Intergovernmental payables	\$ 430,011
Amounts held in custody for others	<u>2,656,613</u>
Total Liabilities	<u><u>\$ 3,086,624</u></u>

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

## NOTES TO THE FINANCIAL STATEMENTS



HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(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. The Commission's purpose is to govern the affairs of the Harrison County 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 (the "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, 2016

(1) Summary of Significant Accounting Policies (Continued)

B. Component Units (Continued)

The Mississippi Coast Coliseum Commission came under the control of Harrison County on July 1, 2016 through state legislative action. The Mississippi Coast Coliseum Commission was originally a legally separate political subdivision and a component unit of the state of Mississippi, was created in 1968 by Senate Bill 2406. The purpose of the Commission is to operate the Coliseum and supporting facilities for Harrison County, Mississippi. Harrison County appoints five of the seven voting commissioners and one nonvoting commissioner of the component unit. As an effort for consistency, the Coliseum has opted to change its fiscal year end from June 30 to September 30; and, therefore has elected to perform a 15 month audit on September 30, 2017. Financial information for the current year is not available for these financial statements.

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.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(1) Summary of Significant Accounting Policies (Continued)

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.

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.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(1) Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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 funds report on self-insurance for employee medical benefits and risk management for County's legal contingencies.

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.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(1) Summary of Significant Accounting Policies (Continued)

I. Intragovernmental Transactions and Balances

Transactions between governmental agencies (discretely presented component units) of the County are considered as transactions with external parties and are reported as revenues and expenditures/expenses in both the fund statements and the government-wide statements. However, associated receivables and payables as displayed as intragovernmental balances on the Statement of Net Position.

J. 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.

K. 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.

L. 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.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(1) Summary of Significant Accounting Policies (Continued)

L. Capital Assets (Continued)

The following schedule details those thresholds and estimated useful lives:

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

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

M. 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 bond 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.

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 12 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.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(1) Summary of Significant Accounting Policies (Continued)

M. Deferred Outflows/Inflows of Resources (Continued)

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 decreases 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 12 for additional details.

N. 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.

O. Long-term Liabilities

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

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

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(1) Summary of Significant Accounting Policies (Continued)

O. Long-term Liabilities (Continued)

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

P. 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.

Q. 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.



HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(1) Summary of Significant Accounting Policies (Continued)

Q. Equity Classifications (Continued)

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.

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, 2016, the County has a Nonspendable fund balance in the amount of \$2,449,323, 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.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(1) Summary of Significant Accounting Policies (Continued)

Q. Equity Classifications (Continued)

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.

R. 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.

S. 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.

T. 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.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(2) Prior Period Adjustments/Restatement

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

Exhibit 2 – Statement of Activities-Primary Government and  
Exhibit 6 – Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund

<u>Explanation</u>	
Inclusion of the County's Tort Fund not previously reported	\$ 17,545
Total prior period adjustments	<u>\$ 17,545</u>

(3) Deposits and Investments

A. Primary Government

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2016, for the primary government – governmental activities was \$67,016,801 and the agency funds was \$2,982,427 and the bank balance was \$26,920,669 held in depository accounts and \$49,319,650 held in certificates of deposits with a maturity date of less than three months. 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).

**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. 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. 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.

**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.

**Custodial Credit Risk - Investments.** Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(3) Deposits and Investments

B. Harrison County Development Commission

Deposits:

The carrying amount of the Harrison County Development Commission, total deposits with financial institutions at September 30, 2016, was \$2,876,198, of which \$23,341 was restricted, and the bank balance was \$2,906,761, of which all was insured or collateralized. The funds are collateralized under the same program as the primary government.

Investments:

At September 30, 2016, the Harrison County Development Commission held the following certificates of deposit with original maturity dates of longer than three months:

	Balance October 1, 2015	Additions	Maturities	Balance September 30, 2016
<b>Governmental Activities</b>				
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	-
Charter Bank .55% interest, matures November 25, 2017	-	1,011,028	-	1,011,028
Charter Bank .70% interest, matures January 27, 2017	-	2,362,387	-	2,362,387
Total	<u>3,367,687</u>	<u>3,373,415</u>	<u>3,367,687</u>	<u>3,373,415</u>
<b>Business-type Activities</b>				
Charter Bank .50% interest, matures July 20, 2016	291,513	-	291,513	-
Charter Bank .70% interest, matures July 20, 2017	-	292,975	-	292,975
	<u>291,513</u>	<u>292,975</u>	<u>291,513</u>	<u>292,975</u>
<b>Total</b>	<u>\$ 3,659,200</u>	<u>3,666,390</u>	<u>3,659,200</u>	<u>3,666,390</u>

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(4) Interfund and Intragovernmental Transactions and Balances

A. Interfund Activity

The following is a summary of interfund balances at September 30, 2016:

*Due From/To Other Funds:*

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 138,627
County Port Bond & Interest Sinking Fund	Other Governmental Funds	4,962,130
Other Governmental Funds	General Fund	473,752
Other Governmental Funds	County Port Bond & Interest Sinking Fund	34,922
Agency Fund	General Fund	104,197
Total		<u>\$ 5,713,628</u>

The receivables represent the tax revenue collected but not settled until October, 2016, 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:*

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 3,996,797
Other Governmental Funds	General Fund	479,120
Other Governmental Funds	County Port Bond & Interest Sinking Fund	1,000,000
Internal Service Fund	General Fund	398,698
Total		<u>\$ 5,874,615</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.

B. Intragovernmental Activity

The following is a summary of intragovernmental balances at September 30, 2016:

Receivable Agency	Payable Agency	Amount
Primary Government	Harrison County Development Commission	\$ 2,232,527
Total		<u>\$ 2,232,527</u>

These amounts represent accounts payable in the amount of \$1,965,081 by the County's discretely presented component unit, the Commission, owe to the county for construction projects reimbursed by grant revenues. Also included is debt with a principal remaining balance of \$267,446, the County acquired for the component unit. See Note 13 for details.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(5) Intergovernmental Receivables

Intergovernmental receivables for the governmental activities at September 30, 2016, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 1,192,776
Occupancy tax	254,172
Seawall tax	282,249
Gaming	307,998
Coastal Impact Assistance grants	745,200
State and community public safety grants	415,367
Federal Emergency Management Agency grants	1,147,458
Mississippi Department of Transportation assistance	102,161
Tidelands grants	68,773
Various other grants	26,735
Total Governmental Activities	<u>\$ 4,542,889</u>
Component Unit	
Federal Emergency Management Agency grants	\$ 2,012,764
Various other grants and receivables	89,707
	<u>\$ 2,102,471</u>

(6) Loans Receivable

Loans receivable for balances for governmental activities at September 30, 2016, 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
East Central Harrison County Public Utility District	5/1/2009	6.00%	5/1/2024	47,128
Total				<u>\$ 62,128</u>

(7) Land Inventory

Land inventory of \$9,512,955 consists of parcels of land in the Commission's industrial parks. The number of acres and approximate sales price per acre for each industrial park is as follows:

Industrial Park	Approximate Number of Acres	Approximate Cost Per Acre*	Approximate Sales Price Per Acre
Bernard Bayou Industrial District	132	\$7,300	\$50,000 – \$175,000
Long Beach Industrial Park	129	\$6,000	\$40,000
North Harrison County Industrial Complex**	611	\$13,000	\$20,000

\*Cost per acre does not include costs associated with infrastructure.

\*\*Approximate number of acres includes mitigation land.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(8) Capital Assets

A. Primary Government

The following is a summary of capital assets activity for the year ended September 30, 2016:

	Balance Oct. 1, 2015	Additions	Deletions/ Adjustments	Balance Sept. 30, 2016
Non-depreciable capital assets:				
Land	\$ 7,280,739	50,278	-	7,331,017
Construction in progress	10,842,484	5,258,354	(2,011,982)	14,088,856
Total non-depreciable capital assets	18,123,223	5,308,632	(2,011,982)	21,419,873
Depreciable capital assets:				
Buildings	96,283,986	-	458,811	96,742,797
Improvements other than buildings	47,354,259	-	1,428,657	48,782,916
Mobile equipment	27,133,482	693,578	(762,261)	27,064,799
Furniture & equipment	4,330,207	297,141	(86,503)	4,540,845
Infrastructure	114,559,421	-	-	114,559,421
Leased property under capital leases	1,617,476	276,128	-	1,893,604
Total depreciable capital assets	291,278,831	1,266,847	1,038,704	293,584,382
Less accumulated depreciation for:				
Buildings	24,915,307	1,913,507	-	26,828,814
Improvements other than buildings	24,618,536	1,585,748	(14,946)	26,189,338
Mobile equipment	22,172,571	1,074,359	(595,839)	22,651,091
Other furniture & equipment	3,253,360	334,922	(78,621)	3,509,661
Infrastructure	71,516,319	961,604	-	72,477,923
Leased property under capital leases	778,923	254,362	-	1,033,285
Total accumulated depreciation	147,255,016	6,124,502	(689,406)	152,690,112
Total depreciable capital assets, net	144,023,815	(4,857,655)	1,728,110	140,894,270
Governmental activities capital assets, net	\$ 162,147,038	450,977	(283,872)	162,314,143

Depreciation expense was charged to the following functions:

General government	\$ 1,704,827
Public safety	1,666,587
Public works	2,383,941
Health & welfare	122,192
Culture and recreation	193,769
Conservation of natural resources	5,468
Economic Development	47,718
Total governmental activities depreciation expense	<u>\$ 6,124,502</u>

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(8) Capital Assets (Continued)

Commitments with respect to unfinished capital projects at September 30, 2016, consisted of the following:

Project Description	Remaining Financial Commitment	Expected date of completion
Canal Road Sewer	\$ 535,364	December 2016
Pineville Community Sewer Collection System	574,030	June 2017
Learning and Wellness Center	594,217	July 2018
Boardwalk to West Biloxi Boat Ramp	3,210	December 2016
Energy Efficiency Project	4,027,881	December 2017
District 1 Courthouse HVAC Replacement	1,063,625	June 2017

As of September 30, 2016, the County had the following commitments:

On August 10, 2016, 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 Refunding Bonds which amended the previous Tax Pledge Agreement dated October 1, 2006. The original 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.

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.

In 2014, the Harrison County Board of Supervisors entered into an agreement with the City of Biloxi to finance the City's Tax Increment Junior Lien Limited Obligation Bonds, Series 2014 to fund the Margaritaville Casino Project in the amount of \$1,750,000. Harrison County is responsible for up to 50% of the increased assessed value of real and personal property within the TIF district.



HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(8) Capital Assets (Continued)

B. Harrison County Development Commission

Below is the schedule of Capital Assets for Harrison County Development Commission for the year ended September 30, 2016:

	Balance October 1, 2015	Additions	Deletions/ Adjustments	Balance September 30, 2016
<b><i>Governmental activities</i></b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 709,430	-	-	709,430
Construction in progress	5,614,835	112,562	(5,689,597)	37,800
Total non-depreciable capital assets	6,324,265	112,562	(5,689,597)	747,230
<u>Depreciable capital assets:</u>				
Buildings and improvements	3,906,996	-	-	3,906,996
Infrastructure	4,132,766	5,689,597	-	9,822,363
Machinery and equipment	229,383	-	-	229,383
Total depreciable capital assets	8,269,145	5,689,597	-	13,958,742
<u>Depreciation</u>				
Buildings and improvements	(1,255,769)	(84,158)	-	(1,339,927)
Infrastructure	(2,444,614)	(243,478)	-	(2,688,092)
Machinery and equipment	(192,303)	(18,917)	-	(211,220)
Total accumulated depreciation	(3,892,686)	(346,553)	-	(4,239,239)
Total depreciable capital assets, net	4,376,459	5,343,044	-	9,719,503
Governmental activities capital assets, net	\$ 10,700,724	5,455,606	(5,689,597)	10,466,733
<b><i>Business-type activities</i></b>				
<u>Depreciable capital assets:</u>				
Water and sewer treatment plant	\$ 1,743,875	-	-	1,743,875
Machinery and equipment	39,309	-	-	39,309
Total depreciable capital assets	1,783,184	-	-	1,783,184
<u>Depreciation</u>				
Water and sewer treatment plant	(732,671)	(52,634)	-	(785,305)
Machinery and equipment	(28,475)	(1,690)	-	(30,165)
Total accumulated depreciation	(761,146)	(54,324)	-	(815,470)
Business-type activities capital assets, net	\$ 1,022,038	(54,324)	-	967,714

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(8) Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the component unit as follows:

Governmental activities:	
Economic development	<u>\$ 346,553</u>
Business-type activities:	
Water and sewer	<u>\$ 54,324</u>

(9) 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, 2016, to January 1, 2017. 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, 2016, the amount of this liability was \$656,762.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(9) Claims and Judgments (Continued)

An analysis of claims activities is presented below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2013-2014	\$ 865,006	\$ 6,296,307	\$ 6,450,930	\$ 710,383
2104-2015	710,383	8,168,394	7,216,152	1,662,625
2015-2016	1,662,625	7,433,769	8,046,771	1,049,623

**Tort Liability**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year the County purchased commercial insurance. In the last three years, settled claims have not exceeded commercial coverage; however 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. 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, 2016, the amount of these liabilities was \$85,219.

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2015-2016	\$ 237,179	\$ 240,290	\$ 269,275	\$ 208,194

(10) Capital Leases

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2016:

Classes of Property	Governmental Activities
Mobile equipment	\$ 1,298,678
Furniture and equipment	594,926
Total	1,893,604
Less: accumulated depreciation	1,033,285
Leased property under capital leases	<u>\$ 860,319</u>

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(10) Capital Leases (Continued)

The following is a schedule by years of the total payments due as of September 30, 2016:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2017	\$ 358,354	\$ 11,738
2018	372,770	8,182
2019	76,709	2,583
2020	77,990	1,302
	<u>\$ 885,823</u>	<u>\$ 23,805</u>

(11) 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.

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, 2016, 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.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(11) Other Postemployment Benefits (Continued)

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 \$309,410 is 1.16 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 2016:

Annual required contribution	\$ 309,410
Interest on prior year net OPEB obligation	70,063
Adjustment to annual required contribution	<u>(79,189)</u>
Annual OPEB cost	300,284
Contributions made	<u>42,710</u>
Increase in net OPEB obligation	257,574
Net OPEB obligation - Beginning of year	<u>1,556,958</u>
Net OPEB obligation - End of year	<u><u>\$ 1,814,532</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 2016:

	Annual OPEB Cost	Percentage of Annual	Net OPEB Obligation
2015	<u>\$300,284</u>	<u>14.22%</u>	<u>\$1,814,532</u>

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	2,764,922
Unfunded AAL (UAAL)	2,764,922
Funded Ratio	0.0%
Annual Covered Payroll	26,663,468
UAAL as a Percentage of Annual Covered Payroll	10.37%

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.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(11) Other Postemployment Benefits (Continued)

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 efforts 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%	
		**Includes wage inflation at 2%	

(12) 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.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(12) Defined Benefit Pension Plan (Continued)

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, 2016, 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, 2016, 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.

Contributions (employer share only) to PERS for the years ending September 30, 2016, 2015, and 2014, were as follows:

Year ended September 30	Employer Contributions	
	Primary Government	Harrison Co. Development Commission
2016	\$ 5,338,324	\$ 68,816
2015	4,996,050	60,862
2014	5,008,708	45,677

**Net Pension Liability and Pension Expense**

At September 30, 2016, the County and Commission reported a liability of \$91,098,735 and \$1,198,395, respectively, for their proportionate share of the net pension liability in the governmental activities. The net pension liability was measured as of June 30, 2016, 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, 2016, the County's proportion was .51 percent, and the Commission's proportion was .007%, which was an increase of 0.001% from its proportion measured at June 30, 2015. For the year ended September 30, 2016, the County recognized pension expense of \$10,637,137 and the Commission recognized \$169,905.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(12) Defined Benefit Pension Plan (Continued)

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

A. Primary Government

At September 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,540,989	\$ -
Changes of assumptions	4,294,588	242,079
Net difference between projected and actual earnings on pension plan investments (netted with 2014 inflow)	6,171,493	
Changes in employer's proportion/contributions and employer's proportionate share of contributions		783,391
County contributions subsequent to the measurement date	1,399,906	-
Total	<u>\$ 14,406,976</u>	<u>\$ 1,025,470</u>

Within the deferred outflows and inflows, a net amount of \$1,399,906 of deferred outflows of resources is related to pensions resulting from the City's contributions subsequent to the measurement date and will be recognized as a reduction to the net pension liability in the year ended September 30, 2017.

The remaining amounts reported as deferred outflows of resources related to pensions of \$13,007,070, and deferred inflows of resources related to pensions of \$1,025,470, netting to \$11,981,600 will be recognized in pension expense as follows:

Year Ending September 30,	
2017	\$ 4,320,993
2018	2,930,196
2019	2,930,739
2020	1,799,672
	<u>\$ 11,981,600</u>



HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(12) Defined Benefit Pension Plan (Continued)

B. Harrison County Development Commission

At September 30, 2016, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 31,896	\$ 3,185
Changes of assumptions	50,154	-
Net difference between projected and actual earnings on pension plan investments (netted with 2014 inflow)	127,020	52,399
Changes in proportionate share of net pension liability	107,859	
Differences between actual contributions and proportionate share of contributions	38,595	1,081
County contributions subsequent to the measurement date	16,847	-
Total	<u>\$ 372,371</u>	<u>\$ 56,665</u>

Within the deferred outflows, a net amount of \$16,847 of deferred outflows of resources is related to pensions resulting from the Commission's contributions subsequent to the measurement date and will be recognized as a reduction to the net pension liability in the year ended September 30, 2017.

The remaining amounts reported as deferred outflows of resources related to pensions of \$355,524, and deferred inflows of resources related to pensions of \$56,665, netting to \$298,859 will be recognized in pension expense as follows:

Year Ending September 30,	
2017	\$ 116,045
2018	98,767
2019	60,372
2020	23,675
	<u>\$ 298,859</u>

Additional pension information for the Harrison County Development Commission can be obtained by contacting the Commission at 12281 Intraplex Parkway, Gulfport MS 39503 or (228) 896-5020

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(12) Defined Benefit Pension Plan (Continued)

**Actuarial Assumptions**

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 percent
Salary increases	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

The table for post-retirement mortality rates used in evaluating allowances to be paid was the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016 with male rates set forward one year. The RP-Disabled Retiree Table set forward five years for males and four years for females, was used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the four year period ending June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on the 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 the plans' 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 rate 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 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%
	<u>100%</u>	

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(12) Defined Benefit Pension Plan (Continued)

**Discount rate**

The discount rate used to measure the total pension liability was 7.75 percent, which was based on the future long-term expected rate of return of 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 and that employer contributions for PERS will be made at rates set in the Board's Funding Policy. 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 investments was applied to all periods of projected benefit payments to determine the plan's total pension liability.

The following table presents the proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.75 percent) or one 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	\$ 116,809,003	\$ 91,098,735	\$ 69,767,546
Commission's proportionate share of PERS	1,536,611	1,198,395	917,785

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](http://www.pers.ms.gov).

(13) Long-term Debt

Debt outstanding for governmental activities as of September 30, 2016, consisted of the following:

Description	Amount Outstanding	Interest Rate	Maturity Date
<b>A. General Obligation Bonds</b>			
Jail Renovation Series 2007	\$ 360,000	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	12,305,000	5.-5.5%	Oct-31
Special Obligation Refunding Bonds, Series 2008C	1,190,000	4.0-4.75%	Oct-17
Special Obligation Refunding Bonds, Series 2008D	8,605,000	3.5-5.0%	Oct-28
Special Obligation Refunding Bonds, Series 2010A	29,845,000	5.0-5.25%	Jan-34
Special Obligation Refunding Bonds, Series 2010B	40,000,000	Variable	Sep-45
Special Obligation Refunding Bonds, Series 2010C	7,635,000	2.0-4.25%	Mar-30
General Obligation Industrial Development Bond, Series 2010D	6,205,000	1.75-6.05%	Mar-30
General Obligation Refunding Bonds, Series 2010E	1,840,000	3.60%	Dec-25
General Obligation Refunding Bonds, Series 2012A	795,000	2.0-3.0%	Apr-18
General Obligation Refunding Bonds, Series 2016B	12,925,000	4-5%	Oct-28
Total Bonds	<u>\$ 151,340,000</u>		

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(13) Long-term Debt (Continued)

B. Capital Leases

Hancock Bank copier lease	\$	254,415	2.64%	Apr-18
Hancock Bank equipment lease		401,260	1.73%	Aug-18
Hancock Bank auto lease		230,148	1.67%	Feb-20
Total Capital Leases	\$	<u>885,823</u>		

C. Other Loans

MDB Cap Loan 0303	\$	133,723	3.00%	Nov-20
MDB Cap Loan 0304		133,723	3.00%	Nov-20
Total Other Loans	\$	<u>267,446</u>		

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
2017	\$ 7,545,000	\$ 6,329,400
2018	7,140,000	6,088,152
2019	7,055,000	5,834,289
2020	7,390,000	5,579,627
2021-2025	35,915,000	23,665,467
2026-2030	34,060,000	15,951,470
2031-2035	15,095,000	10,187,819
2036-2040	16,380,000	6,361,448
2041-2045	20,760,000	2,177,092
Total	<u>\$ 151,340,000</u>	<u>\$ 82,174,764</u>

Year Ending September 30	Other Loans	
	Principal	Interest
2017	\$ 60,468	\$ 6,996
2018	61,366	4,798
2019	63,232	3,318
2020	65,156	1,396
2021	17,224	42
	<u>\$ 267,446</u>	<u>\$ 16,550</u>

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(13) Long-term Debt (Continued)

The following is a summary of changes in long-term liabilities and obligations for governmental activities for the year ended September 30, 2016:

	Balance Oct. 1, 2015	Additions	Reductions	Balance Sept. 30, 2016	Amount Due Within One Year
Governmental Activities:					
Compensated absences	\$ 2,539,001	21,220	-	2,560,221	256,022
General obligation bonds	159,165,000	12,925,000	20,750,000	151,340,000	7,545,000
Capital leases	1,013,703	230,148	358,028	885,823	358,354
Other loans	318,158	-	50,712	267,446	60,468
Sub-total	163,035,862	13,176,368	21,158,740	155,053,490	8,219,844
Less:					
Deferred amounts on refundings	1,868,097	1,776,585	224,345	3,420,337	-
Discount	24,217	-	24,217	-	-
Add:					
Premium	2,694,194	2,075,352	354,257	4,415,289	345,676
Total	\$ 163,837,742	13,475,135	21,264,435	156,048,442	8,565,520

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, 2016, the amount of outstanding debt was equal to 8.08% of the latest property assessments.

Advance Bond Refunding - In October 2015, the County issued \$12,925,000 of General Obligation Bonds, Series 2016B, with an average interest rate ranging between 4 and 5 percent. The net proceeds of \$14,710,165 (after issue costs of \$129,250, plus premium of \$2,075,352), along with an additional payment of \$160,936, were used to advance refund a portion of remaining balance of the \$28M MDB, Series D bonds with an average interest rate ranging between 3.5 and 5 percent.

Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refundable bonds are considered to be defeased, and the related liability for the bonds has been removed from the County's liabilities.

The advance refunding was done in order to reduce total debt payments. The refunding decreased the County's total debt service payments by approximately \$793,169. The transaction resulted in an economic loss (difference between the present value of the debt service on the old and the new bonds) of approximately \$706,747.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(13) 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, 2016.

Changes in outstanding debt during the year ended September 30, 2016, are as follows:

	Balance October 1, 2015	Additions	Principal Payments/ Reductions	Balance September 30, 2016	Amount due within Twelve Months
MDA-Innovation Center	\$ 201,552	-	(27,326)	174,226	28,145
Compensated absences	47,501	39,368	(42,211)	44,658	30,173
	<u>\$ 249,053</u>	<u>39,368</u>	<u>(69,537)</u>	<u>218,884</u>	<u>58,318</u>

**Mississippi Development Authority - Innovation Center**

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.

*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	
2017	\$ 28,145	5,462	33,607
2018	28,991	4,617	33,608
2019	29,860	3,748	33,608
2020	30,756	2,852	33,608
2021-2022	56,474	2,908	59,382
	<u>\$ 174,226</u>	<u>19,587</u>	<u>193,813</u>

*Intragovernmental Debt Transactions*

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 principal balance of \$267,446 has been removed from the Commission's debt schedule and is included in Intragovernmental balances on the government-wide financial statements. See Note (4) for details.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(14) Deficit Fund Balances of Individual Funds

The following funds reported deficits in fund balances at September 30, 2016:

Fund	Deficit Amount
Drug Court Fund	\$ 36,580
Senior Companion Program Fund	12,719
2007 CIAP Fund	79
Worthless Check Division Fund	1,517
Isaac Fund	434,326
Jail Repair Fund	4,174,092
U.S. 90 Gateway to I-110 Fund	161,326
Parker's Creek Boat Launch Fund	8,642

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

(15) 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.

(16) 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,

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

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

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

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, 2016, is as follows:

<u>Issue</u>	<u>Amount Outstanding</u>
Mississippi Development Bank Bonds, Series 2009B	\$ 63,295,000
Mississippi Development Bank Bonds, Series 2013A	59,060,000
	<u>\$ 122,355,000</u>

Harrison County and Seashore Campgrounds Retirement Home, Inc. (Seashore Highlands, Inc.), a non-profit corporation, 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, 2016, is as follows:

<u>Issue</u>	<u>Amount Outstanding</u>
Urban Renewal Revenue Bonds, Series 2011	\$ 5,596,258

(17) 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 2016. Complete financial statements for the Harrison County Library can be obtained from the Gulfport branch located at 1300 21<sup>st</sup> Avenue, Gulfport, Mississippi.



HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(17) 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 \$875,000 in fiscal year 2016. 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 2016. 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.

(18) 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, 2016.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2016

(18) 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, 2016.

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 \$7,777,743 for maintenance and support of the college in fiscal year 2016.

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 2016.

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 2016.

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 \$238,068 for the support of the agency in the fiscal year ending September 30, 2016.

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 2016.

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, 2016

(19) 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, 2016:

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	1/2/2045	Pay 4.365%, receive 70% of LIBOR	\$ (26,943,063)
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	(3,468,421)
C	Pay fixed interest rate swap	Hedge changes in cash flows on Series 2008B	12,305,000	10/9/2008	10/1/2031	Pay 4.301%, receive variable rate of LIBOR	(2,943,157)

- 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, 2016

(19) 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, 2016

(19) 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, 2016, the total outstanding principal balance is \$12,305,000. 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, 2016, 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, 2016.

The table below shows each counterparty rating as of September 30, 2016:

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, 2016

(19) 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, 2016

(20) 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 June 20, 2017, (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, 2016, the County entered into the following commitments:

A. Primary Government

On November 16, 2016 the County approved the master equipment lease/purchase agreement between Harrison County, Banc of America Public Capital Corp, and Bank of America, National Association to finance three projects: HVAC and Air Handler Piping Project in the amount of \$1,058,000; Election digital image scanners and equipment in the amount of \$337,535; and, Energy Efficiency Project in the amount of \$4,027,881.

On March 6, 2017 the County passed a resolution awarding the sale of Memorial Behavioral Health Services assets to Universal Health Services (UHS); authorizing the Board of Trustees of Memorial and Memorial on behalf of the County to negotiate with UHS on the terms and conditions of the purchase agreement. Memorial Behavioral Health Services is part of Memorial Hospital at Gulfport, a joint venture of the County.

On January 11, 2017, the non-commitment debt between Harrison County and Seashore Campgrounds Retirement Home, Inc. of \$6,000,000 Hancock Bank Urban Renewal Revenue Bonds, Series 2011 (Seashore Highlands Project Series 2011) dated December 1, 2011 with a principal balance of \$5,596,258 as of September 30, 2016 was refunded. At that time, the County had no further affiliation with this project.

B. Harrison County Development Commission

On November 9, 2016 the Commission reached a Memorandum of Agreement to expand the GCP Laboratories facility in Harrison County. The total cost of the project is \$686,000 of which GCP Laboratories will expend \$411,000 with the remaining \$275,000 to be funded by a Development Infrastructure Program (DIP) Grant from the Mississippi Development Authority. The DIP grant expires on September 30, 2017 and the Commission anticipates the project to be completed by that time.

## REQUIRED SUPPLEMENTARY INFORMATION



**HARRISON COUNTY, MISSISSIPPI**

## Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)

## General Fund

For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 40,264,819	41,088,457	41,088,457	-
Licenses, commissions and other revenue	3,032,700	3,790,852	3,790,852	-
Fines and forfeitures	1,328,400	1,421,836	1,421,836	-
Intergovernmental revenues	7,604,000	7,597,787	7,597,787	-
Charges for services	1,530,000	1,456,209	1,456,209	-
Interest income	61,300	82,686	78,678	(4,008)
Miscellaneous revenues	177,000	4,263,680	4,302,283	38,603
Total Revenues	<u>53,998,219</u>	<u>59,701,507</u>	<u>59,736,102</u>	<u>34,595</u>
<b>EXPENDITURES</b>				
Current:				
General government	27,924,254	28,896,998	28,896,998	-
Public safety	25,712,565	26,378,016	26,378,016	-
Public works	51,020	49,954	49,954	-
Health and welfare	4,565,326	4,551,657	4,551,657	-
Culture and recreation	2,829,223	2,860,589	2,860,589	-
Conservation of natural resources	141,052	153,231	153,231	-
Economic development and assistance	46,777	1,031,684	1,031,684	-
Debt service	<u>1,340,853</u>	<u>742,952</u>	<u>742,952</u>	-
Total Expenditures	<u>62,611,070</u>	<u>64,665,081</u>	<u>64,665,081</u>	-
Excess of Revenues over/(under) Expenditures	<u>(8,612,851)</u>	<u>(4,963,574)</u>	<u>(4,928,979)</u>	<u>34,595</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	4,300,000	5,069,924	5,069,924	-
Transfers out	<u>(500,000)</u>	<u>(1,237,072)</u>	<u>(1,237,072)</u>	-
Total Other Financing Sources and Uses	<u>3,800,000</u>	<u>3,832,852</u>	<u>3,832,852</u>	-
Net Changes in Fund Balances	(4,812,851)	(1,130,722)	(1,096,127)	34,595
Fund Balances - Beginning	<u>10,019,516</u>	<u>(3,116,807)</u>	<u>12,264,973</u>	<u>15,381,780</u>
Fund Balances - Ending	<u>\$ 5,206,665</u>	<u>(4,247,529)</u>	<u>11,168,846</u>	<u>15,416,375</u>

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

**HARRISON COUNTY, MISSISSIPPI**  
Notes to the Required Supplementary Information-Budgetary Schedules  
For the Year Ended September 30, 2016  
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)	\$ 11,168,846
Increase (Decrease)	
Net adjustments for revenues	3,752,450
Net adjustments for expenditures	<u>(1,487,532)</u>
GAAP Basis	<u>\$ 13,433,764</u>

HARRISON COUNTY, MISSISSIPPI  
Schedule of Funding Progress – Other Postemployment Benefits  
September 30, 2016

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	\$ -	\$ 2,764,922	\$ 2,764,922	0.00%	\$ 26,663,468	10.37%
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, 2016

		2016	2015	2014
County's proportion of the net pension liability (asset)		0.51%	0.50%	0.49%
County's proportionate share of the net pension liability (asset)	\$	91,098,735	78,835,943	N/A
County's covered-employee payroll	\$	32,457,987	31,598,679	31,761,378
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		280.67%	249.96%	N/A
Plan fiduciary net position as a percentage of the total pension liability		57.47%	61.70%	67.21%

\* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented. 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.

HARRISON COUNTY, MISSISSIPPI  
Schedule of the County's Contributions  
Last 10 Fiscal Years\*  
For the Year Ended September 30, 2016

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 5,338,324	4,996,050
Contributions in relation to the contractually required contribution	<u>5,338,324</u>	<u>4,996,050</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
County's covered-employee payroll	\$ 33,894,121	31,720,952
Contributions as a percentage of covered-employee payroll	15.75%	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.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Required Supplementary Information- Pension Schedules  
For the Year Ended September 30, 2016  
UNAUDITED

Pension Schedules

A. Changes in assumptions

In 2016, and later, the assumed rate of interest credited to employee contributions was changed from 3.5% to 2.00%.

B. Valuation date

Effective July 1, 2016 the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and maximum rate of five percent.

## SUPPLEMENTARY INFORMATION

**HARRISON COUNTY, MISSISSIPPI**  
**Schedule of the Expenditures of Federal Awards**  
**For the Year Ended September 30, 2016**

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	\$ 17,108
Passed through the Mississippi State Treasurer's Office Schools and Roads - Grants to States	10.665		179,284
Total U.S. Department of Agriculture			196,392
U.S. Department of Commerce Passed through the Mississippi Dept of Environmental Quality Coastal Zone Management Administration Awards	11.419	SW966	988
Coastal Zone Management Administration Awards	11.419	SW1042	23,190
Coastal Zone Management Administration Awards	11.419	SWC478	70,000
Total U.S. Department of Commerce			94,178
U.S. Department of Housing and Urban Development Passed through the City of Gulfport, Mississippi HOME Investment Partnership Program	14.239	M-10-DC-280200	40,604
HOME Investment Partnership Program	14.239	M-11-DC-280200	39,396
Sub-total			80,000
Total U.S. Department of Housing and Urban Development			80,000
U.S. Department of Interior Payments in Lieu of Taxes	15.226		69,880
Passed through the Mississippi Dept of Marine Resources Coastal Impact Assistance Program	15.668	F12AF70252	423,068
Coastal Impact Assistance Program	15.668	F12AF70006	23,344
Coastal Impact Assistance Program	15.668	F12AF70191	779,880
Coastal Impact Assistance Program	15.668	F12AF01206	3,131,611
Sub-total			4,357,903
Office of Natural Resources Gulf of Mexico Energy Security Act	15.435	MS.24.708	24,770
Total U.S. Department of Interior			4,452,553
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	56,064
Passed through the Mississippi Dept of Public Safety Violence Against Women Formula Grants	16.588	14SP1241	25,252
Violence Against Women Formula Grants	16.588	15SP1241	9,826
Sub-total			35,078
U.S. Department of Justice - Office of Justice Programs/ Passed through the Mississippi Dept of Public Safety Edward Byrne Memorial Justice Assistance Grant	16.738	14-DC-1241	14,744
Edward Byrne Memorial Justice Assistance Grant	16.738	15-DC-1241	31,800
Passed through the City of Gulfport, MS Edward Byrne Memorial Justice Assistance Grant	16.738	2015-DJ-BX-0106	14,972
Sub-total			61,516

*Continued next page*



**HARRISON COUNTY, MISSISSIPPI**  
**Schedule of the Expenditures of Federal Awards**  
**For the Year Ended September 30, 2016**

<u>Passed-through Grantor/ Program Title or Cluster</u>	<u>CFDA Number</u>	<u>Entity Identifying Number</u>	<u>Federal Expenditures</u>
Equitable Sharing Program	16.922	N/A	<u>431,726</u>
Total U.S. Department of Justice			<u>584,384</u>
U.S. Department of Transportation - Federal Highway Administration/ Passed through Mississippi Dept of Transportation			
Highway Planning and Construction Grant	20.205	STP-0024-00(049)	400,638
Highway Planning and Construction Grant	20.205	STP-0024-00(050)	773,295
Highway Planning and Construction Grant	20.205	BR 8936 1 B	<u>374,763</u>
Sub-total			<u>1,548,696</u>
Passed through the Mississippi Dept of Public Safety			
State and Community Highway Safety	20.600	OP-2016-OP-12-41	<u>32,202</u>
Total U. S. Department of Transportation			<u>1,580,898</u>
U. S. Department of Education			
Passed through the Mississippi Dept of Public Safety			
Education Research, Development and Dissemination Grant	84.305	16CA1241	4,732
Education Research, Development and Dissemination Grant	84.305	17CA1241	<u>400</u>
Total U.S. Department of Education			<u>5,132</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	11,650
Social Services Block Grant	93.667	N/A	<u>37,304</u>
Total U.S. Department of Health and Human Services			<u>48,954</u>
Corporation for National and Community Service			
Retired and Senior Volunteer Program	94.002	2015-OPEI-P74-OPO-22221-4101	32,347
Retired and Senior Volunteer Program	94.002	2016-OPEI-P74-OPO-22221-4101	<u>31,045</u>
Sub-total			<u>63,392</u>
Senior Companion Program	94.016	15SCSMS002	<u>199,890</u>
Total Corporation for National and Community Service			<u>263,282</u>
Executive Office of the President			
High Intensity Drug Trafficking Area	95.001	G15GC0003A	34,499
High Intensity Drug Trafficking Area	95.001	G16GC0003A	<u>49,000</u>
Total Executive Office of the President			<u>83,499</u>
U.S. Department of Homeland Security			
Emergency Management Performance Grants	97.042	N/A	<u>90,899</u>
Sub-total			<u>90,899</u>
Homeland Security Grant Program	97.067	A15HS024T	9,365
Homeland Security Grant Program	97.067	S14HS024T2	21,095
Homeland Security Grant Program	97.067	14HS024T	1,530
Homeland Security Grant Program	97.067	14HS024T	3,852
Homeland Security Grant Program	97.067	15HS024T	<u>2,946</u>
Sub-total			<u>38,788</u>
Total U.S. Department of Homeland Security			<u>129,687</u>
Total Expenditures of Federal Awards			<u>\$ 7,518,959</u>

## OTHER INFORMATION

HARRISON COUNTY, MISSISSIPPI  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2016

Name	Position	Company	Amount
Beverly Martin	Supervisor District 1	Fidelity and Deposit Company	\$100,000
Angel Kibler-Middleton	Supervisor District 2	Fidelity and Deposit Company	\$100,000
Marlin Roger Ladner	Supervisor District 3	Fidelity and Deposit Company	\$100,000
Kent Jones	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
Lisa Nelson	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
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
Cindy Simmons	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
Michelle Watts	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Donna Matthews	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
W. Russell Weatherly	Road Manager	Fidelity and Deposit Company	\$50,000
James Morgan	Constable - District 1	Ohio Casualty Insurance Company	\$50,000
Paul Johnson	Constable - District 2	Fidelity and Deposit Company	\$50,000
Alan Weatherford	Constable - District 3	Fidelity and Deposit Company	\$50,000
Sammie Taylor	Constable - District 4	Fidelity and Deposit Company	\$50,000
Jeffrey Migue	Constable - District 5	Fidelity and Deposit Company	\$50,000
Connie Ladner	Circuit Clerk	Fidelity and Deposit Company	\$100,000
Michelle Carden	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Clementine Carney	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
April Davis	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000

*Continued next page*

HARRISON COUNTY, MISSISSIPPI  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2016

Name	Position	Company	Amount
Reagan Feeley	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Leigh Ann Foster	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Coleen Guardanapo	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Peggy Harvey	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Christie Kessler	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Stewart Lee	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Paige Miller	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
Lisa St. Martin	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Barry Pickreign	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Kamisha Perrin	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Cherie Pringle	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Stephanie Ritter	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Patricia Skinner	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Jennifer Smith	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Erica Statzer	Circuit Clerk Deputy Clerks	Fidelity and Deposit Company	\$50,000
Chrishona Taylor	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
Troy Peterson	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
Louise D. Ladner	Justice Court Judge - District 3	Fidelity and Deposit Company	\$50,000
Melvin 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
Alyce Dana	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Cecil Wilkinson	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Cynthia Eighmey	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Devin Gist	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Elizabeth Cash	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
Krisit Brackett	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Michele Marroy	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Mandy McKay	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Melanie Romero	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Melissa Randall Yarber	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Merry Savoy	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Priscilla Thompson	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Rachael Taylor	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Rebecca Meakins	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Tammy Ladner	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
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	Fidelity and Deposit Company	\$50,000
	Deputy Tax Assessors	Fidelity and Deposit Company	\$50,000

## SPECIAL REPORTS

# WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

*Certified Public Accountants*

HANCOCK BANK BUILDING

2510 - 14TH STREET

P.O. BOX 129

GULFPORT, MISSISSIPPI 39502

MICHAEL E. GUEL, CPA, CVA, PFS, CFP®, CFE  
SANDE W. HENTGES, CPA, CFE

CHRIS TAYLOR, CPA  
CHARLENE KERKOW, CPA

## MEMBERS

AMERICAN INSTITUTE OF CPAS  
MISSISSIPPI SOCIETY OF CPAS

TELEPHONE (228) 863-6501  
FAX NUMBER (228) 863-6544  
EMAIL: THECPAFIRM@AOL.COM

## **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***

June 20, 2017

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, 2016, 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 June 20, 2017.

Our report includes an adverse opinion on the discretely presented component units due to the omission of the Mississippi Coast Coliseum Commission which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The report is qualified on the governmental activities 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: **2016-004, 2016-005 and 2016-006.**

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: **2016-001, 2016-002 and 2016-003.**

### **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 # 1

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

GULFPORT, MISSISSIPPI 39502

MICHAEL E. GUEL, CPA, CVA, PFS, CFP®, CFE  
SANDE W. HENTGES, CPA, CFE

CHRIS TAYLOR, CPA  
CHARLENE KERKOW, CPA

MEMBERS

AMERICAN INSTITUTE OF CPAS  
MISSISSIPPI SOCIETY OF CPAS

TELEPHONE (228) 863-6501  
FAX NUMBER (228) 863-6544  
EMAIL: THECPAFIRM@AOL.COM

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
UNIFORM GUIDANCE**

June 20, 2017

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 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, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which are required to be reported in accordance with Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item **2016-007**. Our opinion on each major federal program is not modified with respect to this matter.

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

### **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 The Uniform Guidance, 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 **2016-007** that we consider to be significant deficiencies.

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

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 The Uniform Guidance. 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 Wadsworth # 1

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

GULFPORT, MISSISSIPPI 39502

MICHAEL E. GUEL, CPA, CVA, PFS, CFP®, CFE  
SANDE W. HENTGES, CPA, CFE

CHRIS TAYLOR, CPA  
CHARLENE KERKOW, CPA

MEMBERS  
AMERICAN INSTITUTE OF CPAS  
MISSISSIPPI SOCIETY OF CPAS

TELEPHONE (228) 863-6501  
FAX NUMBER (228) 863-6544  
EMAIL: THECPAFIRM@AOL.COM

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

June 20, 2017

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, 2016. 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 finding and recommendation and your response is disclosed on the following page.

## Purchasing

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 will continue to monitor this process to ensure that all items are timely received and reports generated to ensure timely payment of claims.

2. Purchase orders dated after date of invoice.

### Finding

In several instances, purchase orders were dated after the date of the underlying invoice. The use of purchase orders is required under Section 31-7-113, the dating of purchase orders after the date of implies the procurement process was circumvented.

### Recommendation

We recommend that the County review and implement policies and procedures that are consistent with the MS Code 31-7-113 and the Purchase Law Summary.

### Purchasing Clerk's Response

The purchase clerk has had several discussions with various county departments regarding proper county procurement procedures. The appropriate department supervisors will be contacted again to address this issue. The purchase clerk will continue to monitor the procurement process and ensure that purchase orders are issued prior to items or services are procured.

### 3. Claims not processed and paid timely

#### Finding

In several instances processing of claims and the subsequent payment of invoices were not done within the 45 days after receipt of invoices and receipt, inspection, and approval of goods and services which is in violation with Section 31-7-305.

#### Recommendation

We recommend that the County review and implement policies and procedures that are consistent with the MS Code 31-7-305.

### Accounts Payable Clerk's Response

Most claims are paid in a timely manner, however; the book keeping payment process requires the book keeping department to receive all four documents (invoice, requisition, purchase order, and receiving report) before a claim can be put in line for payment. Payments on purchase orders are delayed for the following reasons: (1) the book keeping department has not received all necessary documents; (2) items ordered are on backorder; (3) items received, but no receiving report has been generated; (4) jobs are incomplete; (5) invoices and/or receiving reports are incorrect; (6) vendors may generate their invoices at the time of purchase, but issue them to book keeping department at a later date.

The book keeping department generates a 45-day-old report of outstanding purchase orders after the second board meeting of every month. All purchase orders listed on the report are researched, and reach out to departments and vendors to correct any problems found.

Claims can only be paid after approval by the Board of Supervisors and they have only been meeting on the 1<sup>st</sup> and 2<sup>nd</sup> Monday's of the month. This meeting schedule often creates a long period of time to lapse, sometimes up to four weeks, for the book keeping department being able to issue checks to pay outstanding claims.

The comptroller, accounting clerk, and purchase clerk have had several meetings to discuss this issue and have been working to with the various County departments to correct the deficiencies so that claims can be processed timely in accordance with state statute. We will continue to work together to ensure that claims are processed and paid timely.

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, 2016.

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 response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

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 Wadsworth # 1

HARRISON COUTY, MISSISSIPPI  
Schedule of Purchases from other than the Lowest Bidder  
For Year Ended September 30, 2016

Schedule 1

<b>Date</b>	<b>Item Purchased</b>	<b>Bid Accepted</b>	<b>Vendor</b>	<b>Lowest Bid</b>	<b>Reason for Accepting Other Than the Lowest Bid</b>
<b>None noted</b>					

HARRISON COUTY, MISSISSIPPI  
Schedule of Emergency Purchases  
For Year Ended September 30, 2016

Schedule 2

<b>Date</b>	<b>Item Purchased</b>	<b>Amount Paid</b>	<b>Vendor</b>	<b>Reason for Emergency Purchase</b>
10/06/15	3-Ten HVAC package unit at Woolmarket Senior Center	\$31,000	Comfort Systems USA	HVAC units failed.
10/14/15	Air handler variable frequency drives at Orange Grove Library	9,278	Engineered Cooling Services	Unit failed to restart after power failure.
12/11/15	Floor mixer at Harrison County Jail	8,990	Associated Food	Jail kitchen mixer failed.
12/18/15	Gate operator motor, control board, gear box at Harrison County Jail	5,692	Doorways	Rear security gate will not reset and gate cannot be closed remotely.
02/08/16	Security fence at Harrison County Jail	5,690	Paola Fence Co.	Wind damage to fence.
04/18/16	Cable television service for inmates at Harrison County Jail	6,180	Starvision Satellite Technologies	Law requires inmates to be provided access to current events via television.
04/18/16	Dishwasher exhaust fan, rooftop HVAC unit at Harrison County Jail	65,000	Machado-Patano PLLC	Ventilation and cooling system not working correctly, causing mold buildup in kitchen.
05/24/16	20 ton heat pump at Good Deeds Community Center	23,600	Barnes Heating & Air	HVAC unit failed.
06/20/16	Repair chiller at Gulfport Court House	8,864	Engineered Cooling Services	HVAC not working.
07/18/16	Compressor and MBB Control Board for chiller at Justice Court	16,862	Engineered Cooling Services	HVAC not working.
08/04/16	Remanufactured engine for end loader for Sand Beach Department	23,096	Lyle Machinery	Engine failed.
08/11/16	Repair Bayou Portage Bridge	12,349	Gulf Hydraulics	Bridge stuck in partially open position.
08/31/16	Security cameras at Harrison County Jail	56,360	Southern Folger	Security cameras broken.
09/14/16	HVAC system at Gulf Coast Mental Health	7,217	Geiger Heating & Air	HVAC system failed.
09/15/16	Repairs to fire and security system at Harrison County Jail	154,800	Arena Fire Protection Inc.	Urgent need declared by Board of Supervisors



## HARRISON COUNTY, MISSISSIPPI

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2016

Schedule 3

<b>Date</b>	<b>Item Purchased</b>	<b>Amount Paid</b>	<b>Vendor</b>
04/04/16	Refurbish 1995 model striping truck	\$ 63,141	Kelly-Creswell
02/01/16	Eight Taser X26P units	8,311	Taser International
05/09/16	Aerial photography and services	14,339	Pictometry International
08/15/16	One hundred forty Taser X26P units	147,560	Taser International
10/10/16	Two LifePak 15V4 Monitor/Defibrilators	74,317	Physio Control
11/17/16	Nine ResQCPR Systems	13,185	Zoll Medical

# 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

GULFPORT, MISSISSIPPI 39502

MICHAEL E. GUEL, CPA, CVA, PFS, CFP®, CFE  
SANDE W. HENTGES, CPA, CFE

CHRIS TAYLOR, CPA  
CHARLENE KERKOW, CPA

MEMBERS  
AMERICAN INSTITUTE OF CPAS  
MISSISSIPPI SOCIETY OF CPAS

TELEPHONE (228) 863-6501  
FAX NUMBER (228) 863-6544  
EMAIL: THECPAFIRM@AOL.COM

## LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

June 20, 2017

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, 2016, 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 June 20, 2017, on the financial statements of Harrison County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of 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.

The results of our review procedures and compliance tests identified a certain immaterial instance of noncompliance with state laws and regulations that is an opportunity for strengthening internal controls and operating efficiency. Our finding, recommendation, and your response is disclosed below:

Board of Supervisors

1. Internal controls over insurance expenditures and related issues are inadequate.

### Finding

The County did not have the inventory control clerk bonded as required by MS Code 31-7-124 which states, "The purchase clerk, receiving clerk and inventory control clerk shall give bond in a penalty equal to Seventy-five Thousand Dollars (\$75,000.00) with sufficient surety, to be payable, conditioned and approved as provided by law"

Recommendation

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

Response

The County will ensure that all statutorily required employees are properly bonded in accordance with state statutes.

Harrison County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

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.

Walter Wood 7/2/16 \* [Signature]

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HARRISON COUNTY, MISSISSIPPI  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2016

**Section 1: Summary of Auditors' Results**

***Financial Statements:***

- |    |  |            |
|----|--|------------|
| 1. | Type of auditor's report issued on the financial statements:                           |            |
|    | Governmental Activities  | Qualified  |
|    | Discretely presented component unit  | Adverse    |
|    | General Fund   | Qualified  |
|    | Other major funds  | 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 2 CFR 200.516(a)? | Yes        |
| 7. | Federal programs identified as major:  |            |
|    | a. Coastal Impact Assistance Program Grant CFDA # 15.668                                       |            |
|    | b. Highway Planning and Construction Grant CFDA # 20.205                                       |            |
| 8. | The dollar threshold used to distinguish between type A and type B programs:                   | \$ 750,000 |
| 9. | Auditee qualified as low risk:   | No         |

HARRISON COUNTY, MISSISSIPPI  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2016

**Section 2: Financial Statement Findings**

Board of Supervisors

Significant Deficiency (*Prior year finding*)

**2016-001**      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.

Board of Supervisors

Significant Deficiency (*Prior year finding*)

**2016-002**      Background checks should be required of all County employees.

Finding

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 review of personnel records, it has been determined that inadequate background checks were performed for new hired employees. Only local background checks were performed instead of a local, state and federal background check on each new employee.

Recommendation

We recommend that a detailed local, state, and federal background check be performed on all County employees and new hires in accordance with State law.

HARRISON COUNTY, MISSISSIPPI  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2016

Board of Supervisors.

Significant Deficiency (*Prior year finding*)

**2016-003**      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. All insurance documents are not on file with the County, and in some instances, documents had to be obtained from the insurance vendors.

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.

Justice Court Clerk

Material Weakness (*Prior year finding*)

**2016-004**      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.

HARRISON COUNTY, MISSISSIPPI  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2016

Justice Court Clerk

Material Weakness (*Prior year finding*)

**2016-005**      The Justice court is inconsistently assessing collection fees for delinquent payments.

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.

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

Recommendation

The Justice Court Department should assess the in-house collection fee as set forth in MS Code 19-3-41.

Circuit Clerk

Material Weakness (*Prior year finding*)

**2016-006**      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.



HARRISON COUNTY, MISSISSIPPI  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2016

**Section 3: Federal Award Findings and Questioned Costs**

**2016-007**

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

Finding Type: Compliance Findings and Other Matters required to be reported by Uniform Guidance.

Findings: During our review of the Equitable Sharing Annual Certification Report, it was noted the cash balance per the general ledger and the balance reported to the Department of Justice as of year-end do not agree. This difference is due to expenditures spent from the revenue account that were inadvertently not included on the annual form filed with the Department of Justice and income not reported correctly on the Annual Certification Report in past years.

Recommendation: It is recommended the county amend the reports to the Department of Justice at the next filing so as to have the balance per the general ledger equal the balance reported on the Annual Certification Report to the Department of Justice. 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) 865-4200

FACSIMILE: (228) 865-4162

E-MAIL: hcboard@co.harrison.ms.us



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

June 20, 2017

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, 2016.

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 1: Summary of Auditor's Results does not include findings and is not addressed.

### SECTION 2: FINANCIAL STATEMENT FINDINGS

#### 2016-001 Corrective Action Planned:

The County Comptroller has already begun the process of review for the very old outstanding checks and have remitted any unclaimed funds to the Mississippi State Treasurer's Office. An annual review of old outstanding checks will be performed annually to determine what amount, if any, should be remitted to the Mississippi State Treasurer as unclaimed funds.

Every effort will be made to reconcile the clearing funds bank reconciliations to the general ledger each month.

Anticipated Completion Date: September 30, 2017

Name of Contact Person Responsible for Corrective Action:

Pamela Ulrich, 228-865-4116

#### 2016-002 Corrective Action Planned:

The County will implement proper procedures to ensure that a thorough local, state and federal background check is performed on all newly hired employees.

Anticipated Completion Date: September 30, 2017

Name of Contact Person Responsible for Corrective Action:

Pamela Ulrich, 228-865-4116

- 2016-003      Corrective Action Planned:
- Procedures have since been implemented to ensure that all insurance payments are remitted correctly and policies, invoices, claims detail and other pertinent insurance information is on hand and reviewed periodically for accuracy.
- Anticipated Completion Date: September 30, 2017
- Name of Contact Person Responsible for Corrective Action:
- Patti Benefield, 228-865-4120
- 2016-004      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. This would ensure that we could 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. Chris Atherton, 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, 2017
- Name of Contact Person Responsible for Corrective Action:
- Greg Illich, 228-865-4213
- 2016-005      Corrective Action Planned:
- The in-house collection fee can be added to a traffic case once we determine the defendant is greater than 90 days delinquent and we actually take additional collection steps (fail to pay) to help ensure the account is collected as ordered by the Court. The majority of the sample cases are criminal and we are unable to suspend the defendant's driver's license for failing to pay as ordered on that case type. The Clerk or a Deputy Clerk cannot take additional collection steps on criminal cases without the Courts approval. In some delinquent criminal cases, the only additional collection option we have is to send the delinquent case to our collection company. The twenty five percent or fifty percent collection fee is only added at the time the case is turned over to our outside collection agency.
- Justice Court was unable to identify the unidentified monies that date back to the year 2003. Justice Court completed a Distribution of Cash each month moving forward which helped ensure the unidentified money amount didn't change. Justice Court should be able to settle the unidentified funds to the County Treasury prior to the end of the year.

Anticipated Completion Date: September 30, 2017

Name of Contact Person Responsible for Corrective Action:

Connie Ladner, 228-865-1635

2016-006      Corrective Action Planned:

Circuit Clerk - The State Electronic Filing System (MEC) is continuing to work on their accounting software as stated in the prior years' response for corrective action. 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, 2017

Name of Contact Person Responsible for Corrective Action:

Connie Ladner, 228-865-1635

#### **Federal Award Findings Responses**

2016-007      Corrective Action Planned:

The subject finding is a result of my using the general ledger account detail to reconcile my balances to the Department of Justice Annual Certification Report. When I first started doing this Annual Report in 2009 I was instructed to use the general ledger account detail report for the annual certification. Each year I receive a report from the DOJ certifying that my report to them has been received, reviewed and accepted. In addition they state that our Agency is now "compliant" and eligible to receive sharing proceeds from the DOJ Equitable Sharing program.

As a result of this finding, I will certainly comply with the recommendation to prepare an amendment to the DOJ report at the upcoming November filing and to making sure that all future reports will be reconciled using the G/L Cash Balance report. As for the recommendation to establish a review for future reports I will submit my completed report to the county comptroller for review prior to submitting to the DOJ. The compliance issue is already being done by submitting the report to the BOS for their review and signature before sending to the DOJ.

Anticipated Completion Date: November 30, 2017

Name of Contact Person Responsible for Corrective Action:

Pete Moran, 228-297-1981

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

# HARRISON COUNTY BOARD OF SUPERVISORS

1801 23RD AVENUE • P.O. DRAWER CC • GULFPORT, MISSISSIPPI 39502-0860

TELEPHONE: (228) 865-4200

FACSIMILE: (228) 865-4162

E-MAIL: hcboard@co.harrison.ms.us



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended September 30, 2015

Harrison County respectfully submits the following summary of prior audit findings relative to federal awards.

### CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

#### 2015 – Finding 010 CFDA # 94.016 – Senior Companion Program – 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.

**Current Status:** The County has followed the above recommendations.

**DEPARTMENT OF THE INTERIOR – FISH AND WILDLIFE SERVICE**

**2015 – Finding 011 CFDA# 15.668 – Coastal Impact Assistance Program - 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.

Current Status: The County has followed the above recommendations

**DEPARTMENT OF JUSTICE – CRIMINAL DIVISION**

**2015 – Finding 012 CFDA# 16.922 – Equitable Sharing Program – Allowable Costs, Reporting**

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

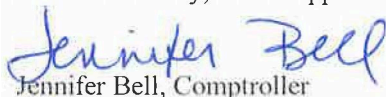
Findings: There is no documentation to support the Sheriff (agency head) authorized all expenditures from the federal sharing revenue account, as required.

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.

Current Status: The County has followed the above recommendations.

Sincerely,  
Harrison County, Mississippi

  
Jennifer Bell, Comptroller