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Hancock County, Mississippi
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2017

August 15, 2018

Members of the Board of Supervisors
Hancock County, Mississippi

Dear Board Members:

We are pleased to submit to you the 2017 financial and compliance audit report for Hancock County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

We appreciate the cooperation and courtesy extended by the officials and employees of Hancock County throughout the audit. If we or this office can be of any further assistance, please contact us at (228) 255-6451.

Respectfully submitted,



Ty J Necaise, MBA, CPA

Hancock County, Mississippi
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FINANCIAL SECTION

Independent Auditor's Report

Members of the Board of Supervisors
Hancock County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hancock County, Mississippi, (the County) as of and for the year ended September 30, 2017, 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.

Auditor's Responsibility

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hancock County, Mississippi, as of September 30, 2017, 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 Budgetary Comparison Schedule(s) and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, and Schedule of the County's Contributions 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.

Omission of Required Supplementary Information

Hancock County, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hancock 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 (are) not a required part of the 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 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 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 August 15, 2018, on our consideration of Hancock County, Mississippi's internal control over financial reporting and 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 the effectiveness of Hancock County, Mississippi's 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 Hancock County, Mississippi's internal control over financial reporting and compliance.

Necaise & Company PLLC

Necaise & Company PLLC
Kiln, Mississippi 39556
August 15, 2018

FINANCIAL STATEMENTS

Hancock County, Mississippi
Statement of Net Position
September 30, 2017

Exhibit 1

ASSETS

Cash	\$ 31,391,467
Property tax receivable	22,452,443
Fines receivable (net of allowance for uncollectibles of \$3,924,232)	1,294,632
Prepaid expenses	269,406
Intergovernmental receivables	1,763,800
Other assets	134,313
Capital assets:	
Nondepreciable capital assets	30,470,444
Depreciable capital assets, net	<u>162,224,594</u>
Total Assets	<u>250,001,099</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	<u>2,275,629</u>
---------------------------------------	------------------

LIABILITIES

Accounts payable and accrued liabilities	1,546,578
Due to other governmental agencies	1,241,277
Accrued interest payable	348,010
Other payables	519,496
Long-term liabilities:	
Compensated absences	197,322
Net pension liability	26,929,898
Due within one year	
Capital debt	815,992
Noncapital debt	197,000
Due in more than one year	
Capital debt	4,894,384
Noncapital debt	<u>8,273,426</u>
Total Liabilities	<u>44,963,383</u>

DEFERRED INFLOWS OF RESOURCES

Property tax for future reporting period	22,452,443
Deferred inflows related to pensions	<u>447,501</u>
Total Deferred Inflows of Resources	<u>22,899,944</u>

NET POSITION

Net investment in capital assets	186,984,662
Restricted for:	
General government	(7,429,177)
Public safety	52,755,306
Public works	38,400,732
Health and welfare	4,947,034
Conservation of natural resources	(5,787)
Culture and recreation	25,944,599
Economic development	14,371,356
Debt services	49,038
Unrestricted	<u>(131,604,362)</u>
Total Net Position	<u>\$ 184,413,401</u>

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

Hancock County, Mississippi
Statement of Activities
For the Year Ended September 30, 2017

Exhibit 2

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Program Revenues</i>			<i>Net (Expense) Revenue and Changes in Net Position</i>
		<i>Charges for Services</i>	<i>Operating Grants</i>	<i>Capital Grants and</i>	
			<i>and Contributions</i>	<i>Contributions</i>	
					<i>Governmental Activities</i>
Governmental activities					
General government	\$ 13,957,682	\$ 1,610,683	\$ 766,341	\$ -	\$ (11,580,658)
Public safety	12,554,244	1,739,072	540,745	536,523	(9,737,904)
Public works	6,677,519	1,115,145	-	90,315	(5,472,059)
Health and welfare	1,477,141	80,919	81,432	-	(1,314,790)
Culture and recreation	2,683,675	291,035	-	2,069,552	(323,088)
Conservation of natural resources	175,010	-	-	-	(175,010)
Economic development and assistance	719,136	88,783	-	-	(630,353)
Interest on long-term debt	694,694	-	-	-	(694,694)
Total governmental activities	<u>\$ 38,939,101</u>	<u>\$ 4,925,637</u>	<u>\$ 1,388,518</u>	<u>\$ 2,696,390</u>	<u>\$ (29,928,556)</u>
General revenues:					
Property taxes					\$ 24,191,505
Road and bridge privilege taxes					735,709
Grants and contributions not restricted to specific programs					12,885
Unrestricted interest income					506,032
Gaming revenue					2,824,305
Miscellaneous					<u>5,460,929</u>
Total general revenues					<u>33,731,365</u>
Change in Net Position					<u>3,802,809</u>
Net position, October 1, 2016					<u>180,610,592</u>
Net position, September 30, 2017					<u>\$ 184,413,401</u>

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

Hancock County, Mississippi
Balance Sheet – Governmental Funds
September 30, 2017

Exhibit 3

		County-wide Road Maintenance	Other Governmental	
	<u>General Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Totals</u>
ASSETS				
Cash	\$ 13,250,633	\$ 3,568,834	\$ 14,241,705	\$ 31,061,172
Receivables:				
Property tax	14,529,898	837,000	7,085,545	22,452,443
Fines, net	1,294,632	-	-	1,294,632
Due from other funds	1,262,070	-	-	1,262,070
Intergovernmental receivables	539,983	152,492	438,216	1,130,691
Prepaid expenses	207,668	-	7,953	215,621
Other assets	13,136	-	121,177	134,313
Total Assets	<u>\$ 31,098,020</u>	<u>\$ 4,558,326</u>	<u>\$ 21,894,596</u>	<u>\$ 57,550,942</u>
LIABILITIES				
Accounts payable	\$ 460,684	\$ 40,432	\$ 1,045,462	\$ 1,546,578
Intergovernmental payables	991,048	11,155	239,074	1,241,277
Due to other funds	-	-	1,262,070	1,262,070
Other payables	347,710	37,864	58,076	443,650
Total Liabilities	<u>1,799,442</u>	<u>89,451</u>	<u>2,604,682</u>	<u>4,493,575</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	14,529,898	837,000	7,085,545	22,452,443
Unavailable revenue - fines	1,294,632	-	-	1,294,632
Total Deferred Inflows of Resources	<u>15,824,530</u>	<u>837,000</u>	<u>7,085,545</u>	<u>23,747,075</u>
FUND BALANCES				
Restricted:				
General government	35,266	-	(67,305)	(32,039)
Public safety	-	-	2,269,128	2,269,128
Public works	-	-	5,742,305	5,742,305
Health and welfare	-	-	(10,000)	(10,000)
Conservation of natural resources	-	-	1,776	1,776
Culture and recreation	68,114	-	412,928	481,042
Economic development	-	-	(123,233)	(123,233)
Debt services	-	-	397,048	397,048
Committed:				
General government	-	-	3,581,722	3,581,722
Public works	-	3,631,875	-	3,631,875
Unassigned	13,370,668	-	-	13,370,668
Total Fund Balances	<u>13,474,048</u>	<u>3,631,875</u>	<u>12,204,369</u>	<u>29,310,292</u>
Total Liabilities and Fund Balances	<u>\$ 31,098,020</u>	<u>\$ 4,558,326</u>	<u>\$ 21,894,596</u>	<u>\$ 57,550,942</u>

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

Hancock County, Mississippi
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position
September 30, 2017

Exhibit 3-1

Total Fund Balance - Governmental Funds	\$ 29,310,292
Total net position reported for governmental activities in the statement of net position is 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 \$ 98,433,535.	192,695,038
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Grant Receivable	633,109
Fine Receivable	1,294,632
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(26,929,898)
Long-term liabilities are not due and payable in the current period and accordingly are not reported in the funds.	
Compensated absences	(197,322)
Long-term liabilities	(14,180,802)
Interest on long-term debt	(348,010)
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	2,275,629
Deferred inflows of resources related to pensions	(447,501)
Internal Service Funds are used by management to charge the costs of certain activities, such as supplies, to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities of the Statement of Net Position.	<u>308,234</u>
Total Net Position - Governmental Activities	<u><u>\$ 184,413,401</u></u>

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

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended September 30, 2017**

		County-wide Road Maintenance	Other Governmental Funds	Totals
	<u>General Fund</u>	<u>Fund</u>	<u>Funds</u>	
REVENUES				
Property taxes	\$ 15,133,049	\$ 704,247	\$ 8,354,209	\$ 24,191,505
Road and bridge privilege taxes	-	735,709	-	735,709
Licenses, commissions and other revenue	1,292,700	1,017,541	518,277	2,828,518
Fines and forfeitures	419,580	97,605	168,443	685,628
Intergovernmental revenues	1,150,049	-	3,974,725	5,124,774
Charges for services	1,298,324	-	-	1,298,324
Interest	379,797	26,504	99,731	506,032
Other revenues	2,071,225	560,748	2,646,177	5,278,150
Total revenues	<u>21,744,724</u>	<u>3,142,354</u>	<u>15,761,562</u>	<u>40,648,640</u>
EXPENDITURES				
Current:				
General government	7,618,195	-	1,339,549	8,957,744
Public safety	8,921,962	-	2,539,581	11,461,543
Public works	272,068	2,201,752	6,115,762	8,589,582
Health and welfare	1,353,027	-	-	1,353,027
Culture and recreation	846,389	-	3,464,529	4,310,918
Conservation of natural resources	175,010	-	-	175,010
Economic development and assistance	500,237	-	59,943	560,180
Debt service:				
Principal	157,000	-	1,166,820	1,323,820
Interest	4,130	-	652,460	656,590
Capital lease	-	-	34,496	34,496
Debt issue costs	-	-	91,390	91,390
Total expenditures	<u>19,848,018</u>	<u>2,201,752</u>	<u>15,464,530</u>	<u>37,514,300</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,896,706</u>	<u>940,602</u>	<u>297,032</u>	<u>3,134,340</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issuance	-	-	3,000,000	3,000,000
Transfers in	1,710,000	-	1,187,572	2,897,572
Transfers out	(695,324)	(145,200)	(2,057,048)	(2,897,572)
Sale of assets	234,868	7,045	11,082	252,995
Total other financing sources (uses)	<u>1,249,544</u>	<u>(138,155)</u>	<u>2,141,606</u>	<u>3,252,995</u>
Net change in fund balances	3,146,250	802,447	2,438,638	6,387,335
Fund balances, October 1, 2016	<u>10,327,798</u>	<u>2,829,428</u>	<u>9,765,731</u>	<u>22,922,957</u>
Fund balances, September 30, 2017	<u>\$ 13,474,048</u>	<u>\$ 3,631,875</u>	<u>\$ 12,204,369</u>	<u>\$ 29,310,292</u>

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

Hancock County, Mississippi
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2017

Exhibit 4-1

Net Changes in Fund Balances - Governmental Funds		\$ 6,387,335
The change in net position reported for governmental activities in the statement of activities is 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.		
Capital outlays		5,102,529
Depreciation expense		(3,197,659)
In the Statement of Activities, only gain 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 assets differs from the change in fund balances by the amount of the loss.		
		(1,549,438)
Fine revenue recognized on the modified cash basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.		
		113,167
Grant 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.		
Current year accrual		633,109
Recognized on Statement of Net Position in the prior year		(1,660,090)
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 of debt repayments.		
Proceeds from debt issuance		(3,000,000)
Principal payments		1,358,316
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:		
Pension expense	(2,236,588)	
Contributions made during the year	<u>1,615,132</u>	(621,456)
An Internal Service Fund is used by management to charge the cost of insurance to individual funds. The net revenue (expense) is reported within governmental activities.		
		307,644
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:		
Compensated absences		(32,544)
Accrued interest		<u>(38,104)</u>
Changes in Net Position of Governmental Activities		<u>\$ 3,802,809</u>

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

Hancock County, Mississippi
Statement of Net Position – Proprietary Fund
September 30, 2017

Exhibit 5

ASSETS

Current assets:

Cash	\$ 330,295
Prepaid expenses	<u>53,785</u>
Total assets	<u><u>384,080</u></u>

LIABILITIES

Current liabilities:

Premiums payable	<u>75,846</u>
Total liabilities	<u>75,846</u>

NET POSITION

Restricted for health insurance	
Total net position	<u><u>\$ 308,234</u></u>

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

Hancock County, Mississippi
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund
For the Year Ended September 30, 2017

Exhibit 6

	<i>Internal Service Fund</i>
	<hr/>
OPERATING REVENUES	
Premiums	\$ 2,764,905
Other income	<u>2,553</u>
Total operating revenues	<u>2,767,458</u>
OPERATING EXPENSES	
Insurance premiums	<u>2,459,814</u>
Total operating expenses	<u>2,459,814</u>
Operating income (loss)	<u>307,644</u>
Change in net position	307,644
Total net position, October 1, 2016,	<u>590</u>
Total net position, September 30, 2017	<u><u>\$ 308,234</u></u>

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

Hancock County, Mississippi
Statement of Cash Flows – Proprietary Fund
For the Year Ended September 30, 2017

Exhibit 7

Cash flows from operating activities:

Cash received for premiums	\$ 2,711,120
Other cash receipts	2,553
Payments for insurance premiums	<u>(2,673,078)</u>
Net cash flows provided (used) by operating activities	<u>40,595</u>
Net increase (decrease) in cash	<u>40,595</u>
Cash at beginning of year	<u>289,700</u>
Cash at end of year	<u><u>\$ 330,295</u></u>

*Reconciliation of operating income (loss) to net cash flows
provided (used) by operating activities:*

Operating income (loss)	\$ 307,644
Adjustments to reconcile net operating income to cash provided by operating activities:	
Premiums payable	(213,264)
Prepaid expense	<u>(53,785)</u>
Net cash flows provided (used) by operating activities	<u><u>\$ 40,595</u></u>

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

Hancock County, Mississippi
Statement of Fiduciary Assets and Liabilities
September 30, 2017

Exhibit 8

Assets

Current assets:

Cash	\$ 1,216,486
Other receivables	<u>1,070,564</u>
Total assets	<u><u>2,287,050</u></u>

Liabilities

Current liabilities:

Amounts held in custody of others	1,127,363
Due to other governments	<u>1,159,687</u>
Total liabilities	<u><u>\$ 2,287,050</u></u>

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

***Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017***

Note 1: Summary of Significant Accounting Policies

These financial statements of Hancock County, Mississippi (County) were prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities (GAAP). The following summary of the more significant accounting policies of the County is presented to assist the reader in interpreting these financial statements, and should be viewed as an integral part of this report.

Reporting Entity

Hancock 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 Hancock County to present these financial statements on the primary government and its component units which have significant operation or financial relationships with the County. Currently, there are no outside organizations that should be included as component units of the County's reporting entity.

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-Collector
- Sheriff

Blended Component Units

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

Hancock County Public Improvement Corporation was incorporated as a nonprofit under Section 31-8-3, Miss. Code Ann. (1972), which allows counties to enter into lease agreements with any corporation. The corporation's board of directors is appointed by the Board of Supervisors. The corporation produces a financial benefit through its ability to finance the construction of capital facilities for the primary government and imposes a financial burden on the primary government by obligating funds to repay the debt pursuant to a lease agreement.

Basis of Presentation

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

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 1: Summary of Significant Accounting Policies (continued)

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. 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 Statement of Net Position presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct Expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the county, with certain limited exceptions. 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 government 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, deferred outflows, liabilities, deferred inflows, fund balances, revenues and expenditures/expenses. 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.

Measurement Focus and Basis of Accounting

The Government-wide, Proprietary Fund and Fiduciary Fund (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 non-operating. 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.

Government 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 account 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.

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 1: Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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-wide Road Maintenance Fund – This fund is used to account for monies from specific revenue sources that are restricted for road maintenance. Although the fund does not meet the definition of a major fund, the County chooses to present the information as such.

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 resources 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 expenditures for principal and interest.

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

PROPRIETARY FUND TYPE

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

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.

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.

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.

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 1: Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

Receivables

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

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.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the 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.

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.

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

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

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 1: Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life (years)
Land	\$ -	N/A
Infrastructure	-	20-50
Buildings	50,000	40
Improvements other than buildings	25,000	20
Mobile equipment	5,000	5-10
Furniture and equipment	5,000	3-7
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.

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 resource, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

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 17 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.

Unavailable revenue – property tax (Property taxes for future reporting period): 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 17 for additional details.

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.

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 1: Summary of Significant Accounting Policies (continued)

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 insurances, 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.

Equity Classifications

Government-wide Financial Statements:

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

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

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

Unrestricted net position – All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

Net Position Flow Assumption – When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County’s general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

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. Currently, there are no nonspendable fund balances.

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 1: Summary of Significant Accounting Policies (continued)

Equity Classifications (continued)

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.

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

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.

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.

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 1: Summary of Significant Accounting Policies (continued)

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.

Note 2: Changes in Accounting Standards

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 77, *Tax Abatement Disclosures* and GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. The provisions of these standards have been incorporated into the financial statements and notes.

Note 3: Deposits

Primary Government

The carrying amount of the County's total deposits with financial institutions at September 30, 2017, was \$31,391,467, and the bank balance was \$30,129,063. 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

Custodial credit risk is the risk that in the event of 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 (FDIC). 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.

Note 4: Interfund Receivables and Payables

The following is a summary of interfund balances at September 30, 2017:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	1,262,070
		<u>\$ 1,262,070</u>

The receivables represent the tax revenue collected but not settled to the County until October 2017, 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.

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 4: Interfund Receivables and Payables (continued)

Transfers In/Out

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	General Fund	\$ 520,000
	Other Governmental Funds	1,190,000
Other Governmental Funds	General Fund	175,324
	Road Maintenance Fund	145,200
	Other Governmental Funds	<u>867,048</u>
		<u>\$ 2,897,572</u>

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

Note: 5 Intergovernmental Receivables

Intergovernmental receivables at September 30, 2017, consisted of the following:

<i>Description</i>	<i>Amount *</i>
Legislative tag credit	\$ 263,066
Community development block grants	204,313
Disaster recovery assistance	74,974
Due from state	488,119
Various federal and local sources	<u>100,219</u>
Intergovernmental receivables, Exhibit 3	<u>1,130,691</u>
Long-term grants receivable	<u>633,109</u>
Intergovernmental receivables, Exhibit 1	<u>\$ 1,763,800</u>

* The County has old outstanding grant reimbursements that are not likely to be collected in the next 12 months, therefore long-term receivables were recognized on the government-wide statements.

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 6: Capital Assets

	<i>Balance</i> <i>10/1/2016</i>	<i>Additions</i>	<i>Reductions</i>	<i>Adjustments/ Transfers*</i>	<i>Balance</i> <i>9/30/2017</i>
Capital assets, not being depreciated					
Land	\$ 13,327,673	\$ -	\$ -	\$ -	\$ 13,327,673
Construction in progress	<u>24,401,832</u>	<u>3,176,286</u>	<u>-</u>	<u>(10,435,347)</u>	<u>17,142,771</u>
Total capital assets, not being depreciated	<u>37,729,505</u>	<u>3,176,286</u>	<u>-</u>	<u>(10,435,347)</u>	<u>30,470,444</u>
Capital assets, being depreciated					
Infrastructure	129,938,514	889,448	-	10,435,347	141,263,309
Building and improvements	103,843,952	-	(1,426,165)	-	102,417,787
Improvement other than buildings	5,476,043	-	-	-	5,476,043
Mobile equipment	6,710,151	502,555	(212,271)	-	7,000,435
Furniture and equipment	<u>5,031,582</u>	<u>534,240</u>	<u>(1,065,267)</u>	<u>-</u>	<u>4,500,555</u>
Total capital assets, being depreciated	<u>251,000,242</u>	<u>1,926,243</u>	<u>(2,703,703)</u>	<u>10,435,347</u>	<u>260,658,129</u>
Less accumulated depreciation for:					
Infrastructure	76,651,870	132,798	-	-	76,784,668
Building and improvements	10,174,595	2,055,222	(145,658)	-	12,084,159
Improvement other than buildings	802,125	258,808	-	-	1,060,933
Mobile equipment	4,922,047	365,563	(161,447)	-	5,126,163
Furniture and equipment	<u>3,839,504</u>	<u>385,268</u>	<u>(847,160)</u>	<u>-</u>	<u>3,377,612</u>
Total accumulated depreciation	<u>96,390,141</u>	<u>3,197,659</u>	<u>(1,154,265)</u>	<u>-</u>	<u>98,433,535</u>
Total capital assets, being depreciated, net	<u>154,610,101</u>	<u>(1,271,416)</u>	<u>(1,549,438)</u>	<u>10,435,347</u>	<u>162,224,594</u>
Capital assets, net	<u>\$ 192,339,606</u>	<u>\$ 1,904,870</u>	<u>\$ (1,549,438)</u>	<u>\$ -</u>	<u>\$ 192,695,038</u>

Depreciation expense was charged to the following functions:

General government	\$ 803,817
Public safety	1,420,035
Public works	365,804
Health and welfare	117,008
Culture and recreation	347,610
Economic Development	<u>143,385</u>
	<u>\$ 3,197,659</u>

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 6: Capital Assets (continued)

Commitments with respect to unfinished capital projects at September 30, 2017, consisted of the following:

<u>Description</u>	<u>Remaining Financial Commitment</u>	<u>Expected Completion Date</u>
Selex	\$ 1,709,640	October 2017
Stennis Airport Terminal	1,330,180	October 2017
Pearlington Boat Launch	31,412	February 2018
Stennis Hangar	2,785,398	October 2017
Beach Pathway	235,571	October 2017
Curtis Johnson Boat Launch	27,806	February 2018
Jourdan River Boat Launch	245,093	October 2019
McLeod Park Expansion	555,274	May 2018
	<u>\$ 6,920,374</u>	

Note 7: Claims and Judgments

Risk Financing

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$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, 2017 to January 1, 2018. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

Starting in 2014, the County finances its exposure to risk of loss relating to employee health, dental and accident coverage through a commercial insurance plan.

Note 8: Capital Leases

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2017:

<u>Class of Property</u>	<u>Governmental Activities</u>
Furniture and equipment	386,297
Less: accumulated depreciation	<u>(110,371)</u>
Leased property under capital lease	<u>275,926</u>

* See Note 9, Long-term Debt, for details on future maturities.

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 9: Long-term Debt

Debt outstanding as of September 30, 2017, consisted of the following:

	<i>Original Amount</i>	<i>Balance 9/30/2017</i>	<i>Maturity</i>	<i>Interest Rate</i>
General Obligation Bond:				
Unlimited General Obligation Refunding Bond, Series 2007	\$ 4,005,000	\$ 480,000	2018	3.85%
Taxable General Obligation Refunding Bond, Series 2015	986,000	592,000	2020	2.82%
MS General Obligation Public Improvement Bond, Series 2017	<u>3,000,000</u>	<u>3,000,000</u>	2027	2.38%
<i>Total General Obligation Bonds</i>	<u>7,991,000</u>	<u>4,072,000</u>		
Limited Obligation Bonds:				
Library Limited Obligation Bond, Series 2010	600,000	-	2017	VAR
Tax Increment Limited Obligation Bond, Series 2015	<u>8,177,710</u>	<u>7,878,426</u>	2026	5.00%
<i>Total Limited Obligation Bonds</i>	<u>8,777,710</u>	<u>7,878,426</u>		
Equipment Notes:				
E-911 Motorola Tower Loan, 2015	<u>2,289,768</u>	<u>1,878,575</u>	2025	2.49%
Capital Lease:				
E-911 Phone CAD/GIS System Lease, 2016	<u>386,297</u>	<u>351,801</u>	2026	2.49%
<i>Total Outstanding Debt</i>	<u>\$ 19,444,775</u>	<u>\$ 14,180,802</u>		

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

<i>Year Ending September 30,</i>	<i>General Obligation Bonds</i>		<i>Limited Obligation Bonds</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2018	762,000	94,059	*	450,000
2019	482,000	80,371	*	450,000
2020	493,000	68,046	*	450,000
2021	300,000	55,456	*	450,000
thereafter	<u>2,035,000</u>	<u>174,325</u>	*	450,000
Total	<u>\$ 4,072,000</u>	<u>\$ 472,257</u>	<u>\$ 7,878,426</u>	<u>\$ 2,250,000</u>

<i>Year Ending September 30,</i>	<i>Equipment Note</i>		<i>Capital Lease</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2018	215,637	45,522	35,355	8,760
2019	220,863	40,296	36,236	7,880
2020	226,119	35,040	37,138	6,977
2021	231,694	29,465	38,063	6,053
thereafter	<u>984,262</u>	<u>60,373</u>	<u>205,009</u>	<u>15,566</u>
Total	<u>\$ 1,878,575</u>	<u>\$ 210,696</u>	<u>\$ 351,801</u>	<u>\$ 45,236</u>

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 9: Long-term Debt (continued)

* The Tax Increment Limited Obligation Bond is not included in this schedule because the maturity is contingent on the amount of tax collected from the property owner. The County retains approximately \$225,000 from the tax increment, and then remits the balance to the transfer agent. Of the payment remitted, \$450,000 is considered interest and the remaining portion principal. The debt is estimated to mature in 2026.

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 last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2017, the amount of outstanding debt was equal to 1% of the latest property assessments.

Current Refunding

On 11/24/2015, the County issued \$986,000 in general obligation bonds with an average interest rate of 2.82% to refund the MBIA Limited Obligation bond, totaling \$960,000. The County refunded the bonds to extend its total debt service payments for 4 years.

Pledge of Future Revenues

The County has pledged future revenues for the Tax Increment Limited Obligation Bond to fund unpaid obligations from loan proceeds used by DAK Americas Mississippi Inc. to construct facilities and equipment at the Port Bienville Industrial Park. The bond is not a general obligation of the County and, therefore, are not secured by the full faith and credit of the County. The bonds are payable solely from income derived from the tax collections of DAK Americas Mississippi Inc. The annual principal is derived from the overall tax collected, less interest of \$450,000 and County revenue of \$225,000 (the remainder is treated as principal). The total principal remaining to be paid is \$7,878,426.

The following is a summary of change in long-term liabilities and obligations for the year ended September 30, 2017:

	<i>Balance</i> <i>10/1/2016</i>	<i>Additions</i>	<i>Payments</i>	<i>Balance</i> <i>9/30/2017</i>	<i>Due Within</i> <i>One Year</i>
General obligation bonds	\$ 1,729,000	\$ 3,000,000	\$ (657,000)	\$ 4,072,000	\$ 762,000
Limited obligation bonds *	8,334,710	-	(456,284)	7,878,426	-
Equipment notes	2,089,111	-	(210,536)	1,878,575	215,637
Capital leases	386,297	-	(34,496)	351,801	35,355
Compensated absences	<u>164,778</u>	<u>186,063</u>	<u>(153,519)</u>	<u>197,322</u>	<u>-</u>
Total	<u>\$ 12,703,896</u>	<u>\$ 3,186,063</u>	<u>\$ (1,511,835)</u>	<u>\$ 14,378,124</u>	<u>\$ 1,012,992</u>

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

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 10: Deficit Fund Balances of Individual Funds

The following funds reported deficits in fund balances at September 30, 2017:

<i>Fund</i>	<i>Deficit</i>
Isaac Fund	678,921
Tidelands Fund	59,767
Solid Waste Assistance Fund	3,583
MDOT Roadway Safety Improvements	15,837
MDOT Beach Pathway Project	444,312
Nvision Cap Loan	83,474
DMR Jourdan River Shores	2,490

Note 11: Contingencies

Federal Grants

The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements due to the fact that such estimates cannot be made.

Litigation

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

General Obligation Debt

The County issued general obligation bonds to provide funds for constructing and improving capital facilities of the Hancock County Port and Harbor Commission. Such debt is being retired from pledged resources of the Commission and, therefore, is reported as a liability on their financial statements. However, because general obligation bonds are backed by the full faith, credit and taxing power of the County, the County remains contingently liable for its retirement.

Hospital Revenue Bond

The County approved revenue bonds in 2013 to provide funds for constructing and improving capital facilities of the Hancock County Medical Center. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the County remains contingently liable for the retirement of these bonds because the full faith, credit and taxing power of the County is secondarily pledged in case of default by the hospital. See Note 19, Subsequent Events, for more details.

Note 12: No Commitment Debt (Not Included in Financial Statements)

No commitment debt is repaid only by the entities for whom 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. As of the date of this report, the County has not identified any such debt.

***Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017***

Note 13: Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net position amount of \$ (131,604,362) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$368,285 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. The \$1,907,344 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next three (3) years. The \$447,501 balance of the deferred inflow of resources related to pension at September 30, 2017, will be recognized in pension expense over the next four (4) years.

Note 14: Related Organizations

The Hancock County Board of Supervisors is responsible for appointing a voting majority of the members of the board of Pearlington Water and Sewer District, but the County's accountability for this organization does not extend beyond making the appointments.

The Hancock County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Hancock County Water and Sewer District, but the County's accountability for this organization does not extend beyond making the appointments.

The Hancock County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Kiln Utility and Fire Protection District, but the County's accountability for this organization does not extend beyond making the appointments.

The Hancock County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Hancock County Port and Harbor Commission, but the County's accountability for this organization does not extend beyond making the appointments.

Note 15: Joint Ventures

The county participates in the following joint ventures:

Hancock County is a participant with the cities of Bay St. Louis, Waveland and Diamondhead in a joint venture, -- authorized by Section 39-3-8, Miss. Code Ann. (1972), to operate the Hancock County Library System. The joint venture was created to provide library service. The Hancock County Board of Supervisors appoints two of the five members of the board of directors. By contractual agreement, the County's appropriation to the joint venture was \$1,376,500 in fiscal year 2017. Complete financial statements for the Hancock County Library System can be obtained from 312 Highway 90, Bay St. Louis, Mississippi.

Hancock County is a participant with the Cities of Bay St. Louis, Waveland and Diamondhead in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Hancock County Solid Waste Authority. The joint venture was created to collect and dispose of solid waste for the members of the authority. The Hancock County Board of Supervisors appoints two of the eight members of the board of directors. The County's appropriation to the joint ventures was \$1,260,000 in fiscal year 2017. Complete financial statements for the Hancock County Solid Waste Authority can be obtained from Compton Engineering, P.A., 3036 Longfellow Drive, Bay St. Louis, MS 39520.

***Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017***

Note 16: Jointly Governed Organizations

The county participates in the following jointly governed organizations:

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

Region XIII Commission for Mental Health and Mental Retardation operates in a district composed of the Counties of Hancock, Harrison, Pearl River and Stone. The governing body is a four-member board of commissioners, one appointed by the Board of Supervisors of each of the member counties. The county appropriated \$90,000 for the support of the agency in fiscal year 2017.

Pearl River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion, and Pearl River. The Hancock County Board of Supervisors appoints two of the 16 members of the college board of trustees. The County appropriated \$1,023,700 for maintenance and support of the college in fiscal year 2017.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Hancock County Board of Supervisors appoints one of the 27 members of the board of directors. The County appropriated \$10,982 for support of the district in fiscal year 2017.

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 \$9,077 for support of the district in fiscal year 2017.

The Hancock County Utility Authority operates the wastewater treatment facilities for the Cities of Bay St. Louis and Waveland, and three county component units, as authorized by Section 49-17-171, Miss. Code Ann. (1972). The Hancock County Board of Supervisors appoints one of the six members of the board of commissioners. Complete financial statements for the Hancock County Utility Authority can be obtained from 401 Gulfside Street, Waveland, Mississippi.

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

Hancock County Tourism Development Bureau is jointly governed by Hancock County and the Cities of Bay St. Louis and Waveland. The Hancock County Board of Supervisors appoints three of the nine members of the board of directors.

Note 17: Defined Benefit Pension Plan

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

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 17: Defined Benefit Pension Plan (continued)

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service.

Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2017 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2017, 2016, and 2015 were \$1,615,132, \$1,549,994 and \$1,553,968, respectively, equal to the required contributions for each year.

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

At September 30, 2017, the County reported a liability of \$26,929,898 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2017, the County's proportion was .162 percent, which was an increase of .0083 percent from its proportion measured as of June 30, 2016.

For the year ended September 30, 2017, the County recognized pension expense of \$2,236,588. At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 275,719	\$ 138,191
Net difference between projected and actual earnings on pension plan investments	-	276,608
Changes of assumptions	437,647	32,702
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	1,193,978	-
County contributions subsequent to the measurement date	<u>368,285</u>	<u>-</u>
Total	<u>\$ 2,275,629</u>	<u>\$ 447,501</u>

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 17: Defined Benefit Pension Plan (continued)

\$368,285 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:		
2018	\$	429,924
2019		429,924
2020		370,652
2021		229,343
	\$	<u>1,459,843</u>

Actuarial Assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 percent
Salary increases	3.25 – 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with rates set forward one year for males with adjustments.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	27.00 %	4.60
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Assets	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	-
Total	<u>100.00 %</u>	

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 17: Defined Benefit Pension Plan (continued)

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

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

	<u>1% Decrease</u> 6.75%	<u>Discount Rate</u> 7.75%	<u>1% Increase</u> 8.75%
County's proportionate share of the net pension liability	<u>\$ 35,320,359</u>	<u>\$ 26,929,898</u>	<u>\$ 19,963,992</u>

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Note 18: Tax Abatements

As of September 30, 2017, the County provides tax abatements and exemptions on an individual basis and through the Commercial Development Incentive Program.

Commercial Development Incentive Program. The tax exemption policy and redevelopment zones were established in the Cities of Bay St. Louis, Diamondhead and Waveland to promote private investment and growth in specific areas throughout Hancock County. If qualified, the exemption will allow for up to 100% abatement of county ad valorem taxes (excluding school taxes, road and bridge taxes and community college taxes) for businesses including new structures in any of the proposed commercial development zones. The following is a description of the program:

- The participant may be granted up to 100% abatement on a graduated scale for county ad valorem taxes on the structure and last up to seven years per state law.
- The business investment of development is targeted for location within one of the adopted commercial development zones.
- The minimum business investment must be \$500,000 in a new commercial construction project.
- The tax exemption is transferable to new owners who covenant to follow the terms of the original exemption.
- The County elected officials retain complete discretion in issuing exemptions and projects outside of the proposed zones can be considered using the adopted incentive scale and criteria.

To date, no rebates have been granted for the above program, however, some rebates have been granted on an individual basis. The following reflects the amounts of ad valorem taxes abated or offset for the year ended September 30, 2017:

<u>Area</u>	<u>Program</u>	<u>Terms</u>	<u>Amount of</u> <u>Taxes Abated</u>
Unincorporated Area	N/A	Pursuant to Section 27-31-101, no commitments acknowledged by the taxpayer	\$ 3,162

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 19: Subsequent Events

Future Lease Agreements

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 Hancock County evaluated the activity of the County through August 15, 2018 and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

On November 1, 2017, Hancock County entered into a capital lease agreement with Oshsner Medical Center – Hancock LLC, for the lease of the Hancock County Medical Center. The capital lease stipulated that the lessee would make annual rent payments to the County and capital improvements to the leased facilities commencing in 2018. The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2017, are as follows:

<u>Year ending September 30</u>	<u>Base Rent</u>	<u>Capital Improvements</u>
2018	\$ 600,000	\$ 500,000
2019	600,000	500,000
2020	850,000	500,000
2021	850,000	500,000
2022	850,000	500,000
2023	1,100,000	500,000
2024	1,100,000	500,000
2025-2042	<u>14,450,000</u>	<u>8,500,000</u>
Total	<u>\$ 20,400,000</u>	<u>\$ 12,000,000</u>

Increase to Employee Retirement Benefits

Effective July 1, 2019, the County's portion of retirement contributions will increase from 15.75 percent to 17.4 percent. The increase will cost the County approximately \$169,104 (based on current employment levels).

REQUIRED SUPPLEMENTARY INFORMATION

Hancock County, Mississippi
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)
For the Year Ended September 30, 2017
UNAUDITED

General Fund

	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance with</i>
	<i>Budget</i>	<i>Budget</i>	<i>(Budgetary</i>	<i>Final Budget</i>
			<i>Basis)</i>	<i>Positive</i>
				<i>(Negative)</i>
Revenues				
Property taxes	\$ 14,229,278	\$ 14,230,278	\$ 14,244,445	\$ 14,167
Licenses, commission and other revenue	771,800	995,564	1,014,441	18,877
Fines and forfeitures	480,000	480,000	425,051	(54,949)
Intergovernmental revenues	3,642,870	3,790,510	4,085,433	294,923
Charges for services	915,500	915,500	1,285,647	370,147
Interest income	276,000	276,000	379,407	103,407
Miscellaneous	204,300	206,800	534,368	327,568
Total revenues	<u>20,519,748</u>	<u>20,894,652</u>	<u>21,968,792</u>	<u>1,074,140</u>
Expenses				
Current:				
General government	7,932,173	8,677,017	7,802,513	874,504
Public safety	8,671,705	8,972,007	8,977,575	(5,568)
Public works	114,227	304,369	284,656	19,713
Health and welfare	1,683,736	1,689,571	1,653,039	36,532
Culture and recreation	1,132,189	1,259,838	858,922	400,916
Conservation of natural resources	185,847	187,297	175,438	11,859
Economic development and assistance	496,780	536,255	499,798	36,457
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>20,216,657</u>	<u>21,626,354</u>	<u>20,251,941</u>	<u>1,374,413</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>303,091</u>	<u>(731,702)</u>	<u>1,716,851</u>	<u>2,448,553</u>
Other Financing Sources				
Sale of asset	2,200	16,060	314,672	298,612
Transfers in	1,677,000	1,677,000	1,710,000	33,000
Transfers out	<u>(651,000)</u>	<u>(651,000)</u>	<u>(175,324)</u>	<u>475,676</u>
Total other financing sources	<u>1,028,200</u>	<u>1,042,060</u>	<u>1,849,348</u>	<u>807,288</u>
Net change in fund balance	1,331,291	310,358	3,566,199	3,255,841
Fund balance, October 1, 2016	<u>8,525,776</u>	<u>6,699,250</u>	<u>11,470,776</u>	<u>4,771,526</u>
Fund balance, September 30, 2017	<u>\$ 9,857,067</u>	<u>\$ 7,009,608</u>	<u>\$ 15,036,975</u>	<u>\$ 8,027,367</u>

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

Hancock County, Mississippi
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)
For the Year Ended September 30, 2017
UNAUDITED

Countywide Road Maintenance Fund (Special Revenue)

	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance with</i>
	<i>Budget</i>	<i>Budget</i>	<i>(Budgetary</i>	<i>Final Budget</i>
			<i>Basis)</i>	<i>Positive</i>
				<i>(Negative)</i>
<i>Revenues</i>				
Property taxes	\$ 840,000	\$ 840,000	\$ 782,922	\$ (57,078)
Road and bridge privilege	550,000	550,000	557,258	7,258
Licensing and other revenues	1,207,000	1,207,000	1,544,185	337,185
Interest income	20,000	20,000	30,410	10,410
Miscellaneous	2,500	2,500	3,275	775
Total revenues	<u>2,619,500</u>	<u>2,619,500</u>	<u>2,918,050</u>	<u>298,550</u>
<i>Expenses</i>				
Current:				
Public works	<u>2,805,325</u>	<u>2,825,325</u>	<u>2,197,828</u>	<u>627,497</u>
Total expenditures	<u>2,805,325</u>	<u>2,825,325</u>	<u>2,197,828</u>	<u>627,497</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>(185,825)</u>	<u>(205,825)</u>	<u>720,222</u>	<u>926,047</u>
<i>Other Financing Sources</i>				
Sale of assets	-	-	17,618	17,618
Transfers in	-	-	-	-
Transfers out	<u>(142,000)</u>	<u>(142,000)</u>	<u>(132,000)</u>	<u>10,000</u>
Total other financing sources	<u>(142,000)</u>	<u>(142,000)</u>	<u>(114,382)</u>	<u>27,618</u>
Net change in fund balance	(327,825)	(347,825)	605,840	953,665
Fund balance, October 1, 2016	<u>51,889</u>	<u>(213,846)</u>	<u>3,036,557</u>	<u>3,250,403</u>
Fund balance, September 30, 2017	<u>\$ (275,936)</u>	<u>\$ (561,671)</u>	<u>\$ 3,642,397</u>	<u>\$ 4,204,068</u>

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

Hancock County, Mississippi
Schedule of the County's Proportionate Share of Net Pension Liability
Last 10 Fiscal Years *
For the Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	0.162%	0.153%	0.1579%	0.1599%
County's proportionate share of the net pension liability (asset)	\$ 26,929,898	\$ 27,329,620	24,408,226	N/A
County's covered payroll	\$ 10,254,806	\$ 9,841,232	9,866,463	9,569,752
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	262.61%	277.71%	247.39%	N/A
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	67.21%

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

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

Hancock County, Mississippi
Schedule of County Contributions
Last 10 Fiscal Years *
For the Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,615,132	\$ 1,549,994	\$ 1,553,968
Contributions in relation to the contractually required contribution	<u>1,615,132</u>	<u>1,549,994</u>	<u>1,553,968</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	10,254,806	9,841,232	9,866,463
Contributions as a percentage of covered payroll	15.75%	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.

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

Hancock County, Mississippi
Notes to the Required Supplementary Information (Unaudited)
For the Year Ended September 30, 2017

Note 1: 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.

Note 2: Basis of Presentation

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

Note 3: Budget/GAAP Reconciliation

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

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

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

	<i>General Fund</i>	<i>Countywide Road Maintenance Fund</i>
Budget (cash basis)	\$ 3,566,199	\$ 605,840
Increase (decrease)		
Net adjustments for revenue accruals	(224,068)	224,304
Net adjustments for expenditure accruals	403,923	(3,924)
Net adjustments for other financing sources and uses accruals	(599,804)	(23,773)
GAAP Basis	<u>\$ 3,146,250</u>	<u>\$ 802,447</u>

Note 4: Pension Schedules

Changes of assumptions

2017

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
- The wage inflation assumption was lowered from 3.75% to 3.25%.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in line of duty was increased from 6% to 7%

2016

- The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

Hancock County, Mississippi
Notes to the Required Supplementary Information (Unaudited)
For the Year Ended September 30, 2017

Note 4: Pension Schedules (continued)

Changes of assumptions (continued)

2015

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

Changes in Benefit Provisions

2016

- 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 a maximum rate of five percent.

SUPPLEMENTARY INFORMATION

Hancock County, Mississippi
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017

<i>Federal Grantor/ Pass-Through</i>	<i>Federal</i>		<i>Federal</i>
<i>Grantor Program Title</i>	<i>CFDA</i>	<i>Program Number</i>	<i>Expenditures</i>
	<i>Number</i>		
<i>U.S. Department of Housing and Urban Development/ Mississippi Development Authority</i>			
Community Development Block Grant (state program)	14.228	1129-12-023-PF-01	\$ 2,500
Community Development Block Grant (state program)	14.228	R-128-023-06-HCED	21,220
Community Development Block Grant (state program)	14.228	R-103-023-03-KED	87,312
Community Development Block Grant (state program)	14.228	R-118-023-20-HCCR	1,240,719
<i>U.S. Department of the Interior/Mississippi Dept. of Archives & History</i>			
Coastal Impact Assistance Program	15.668	NA	539,862
<i>U.S. Department of Justice/MS Department of Public Safety</i>			
Justice Assistance - Drug Court	16.378	16DC1231	73,863
Local Law Enforcement Block Grant	16.548	16DC1231	5,433
<i>U.S. Department of Justice/Mississippi Department of Public Safety</i>			
Violence Against Women Formula Grant	16.588	17SL1231	35,984
<i>U.S. Department of Transportation/Federal Highway Administration/Mississippi Department of Transportation</i>			
Highway Planning and Construction	20.205	STP-23(48)	458,498
<i>U.S. Department of Homeland Security/MS Emergency Management Agency</i>			
Operation Stone Garden	97.067	NA	31,471
Highway Safety Cluster:			
<i>U.S. Department of Justice/Mississippi Department of Public Safety</i>			
Occupant Protection Incentive Grant	20.602	12OP1231	3,073
<i>National Highway Traffic Safety Administration/Division of Public Safety Planning</i>			
State and Community Highway Safety (DUI)	20.607	12-TA1231	59,197
Total Expenditures of Federal Awards			\$ 2,559,132

Hancock County, Mississippi
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017

Note 1: Significant Accounting Policies

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

Note 2: Federal Grant Expenditures for Other Governments/Entities

The following are grants received and expended for other governments/entities in the fiscal year ended September 30, 2017.

<i>Project Name</i>	<i>Federal</i>		<i>Federal</i>
<i>Grantor Program Title</i>	<i>CFDA</i>	<i>Program Number</i>	<i>Expenditures</i>
<i>Ansley Sewer Project</i>			
Community Development Block Grant (state program)	14.228	1129-12-023-PF-01	\$ 2,500
<i>SELEX</i>			
Community Development Block Grant (state program)	14.228	R-128-023-06-HCED	<u>21,220</u>
			<u>\$ 23,720</u>

OTHER INFORMATION

Hancock County, Mississippi
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2017
UNAUDITED

<u>Name</u>	<u>Title</u>	<u>Company</u>	<u>Coverage</u>
David Yarborough	Board of Supervisors - District 1	RLI Surety	100,000
Greg Shaw	Board of Supervisors - District 2	RLI Surety	100,000
Blaine Lafontaine	Board of Supervisors - District 3	RLI Surety	100,000
Scotty Adams	Board of Supervisors - District 4	RLI Surety	100,000
Darren Bo Ladner	Board of Supervisors - District 5	RLI Surety	100,000
Tim Kellar	Chancery Clerk	RLI Surety	100,000
Karen Rhur	Circuit Clerk	RLI Surety	100,000
James A. Ladner, Jr.	Tax Assessor/Collector	RLI Surety	100,000
Jim Faulk	Coroner	RLI Surety	50,000
Ricky Adam	Sheriff	Travelers	100,000
Tommy L. Carver, Sr.	Justice Court Judge	RLI Surety	50,000
Desmond W. Hoda	Justice Court Judge	RLI Surety	50,000
James A. Lagasse III	Justice Court Judge	RLI Surety	50,000
Theresa C. Beeson	Constable	RLI Surety	50,000
Terry Necaie	Constable	RLI Surety	50,000
Ray Seal	Constable	RLI Surety	50,000
Trudy Lincoln	Notary	Western Surety	5,000
Dana Maggiore	Notary	Western Surety	5,000
Gretchen Karl	Notary	RLI Surety	5,000
Leslie Besancon	Notary	RLI Surety	5,000
Holly Bilbo	Notary	RLI Surety	5,000
Kathleen Stieffel	Notary	RLI Surety	5,000
Nadine Ferrell	Notary	RLI Surety	5,000
Donald Bass	Notary	RLI Surety	5,000
Teresa Osbourn	Notary	RLI Surety	5,000
Deanna Thompson	Notary	RLI Surety	5,000
Laura Ruspoli	Notary	RLI Surety	5,000
Holli Cuevas	Notary	RLI Surety	5,000
Kathleen Siebenkittel	Notary	RLI Surety	5,000
<i>Positions covered by Blanket Bond:</i>			
Eddie Favre	County Administrator	RLI Surety	100,000
Nancy Kelly	Comptroller	RLI Surety	100,000
Maureen Anderson	Grant Administrator	RLI Surety	50,000
Kathleen Stieffel	Inventory Control Clerk	RLI Surety	75,000
Donna Henry	Human Resource Clerk	RLI Surety	100,000
Chancery Clerk's Office	Deputy Clerk	RLI Surety	50,000
Geoffrey Clemens	County Engineer	RLI Surety	50,000
Robin Benoit	Purchase Clerk	RLI Surety	75,000
Gretchen Karl	Payroll Clerk	RLI Surety	50,000
Gretchen Karl	Assistant Purchase Clerk	RLI Surety	50,000
Tracy O'Neal	Receiving Clerk	RLI Surety	75,000
Amy Dunn	Assistant Receiving Clerk	RLI Surety	50,000
April Shiyoun	Assistant Receiving Clerk	RLI Surety	50,000

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Hancock County, Mississippi
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2017
UNAUDITED

<u>Name</u>	<u>Title</u>	<u>Company</u>	<u>Coverage</u>
Kathlyeen Siebenkittle	Assistant Receiving Clerk	Travelers	50,000
Kendra Maggiore	Assistant Receiving Clerk	RLI Surety	50,000
Marisha Nores	Assistant Receiving Clerk	RLI Surety	50,000
Rachelle Garcia	Assistant Receiving Clerk	RLI Surety	50,000
Sandra Hoda	Assistant Receiving Clerk	RLI Surety	50,000
Theresa Beeson	Assistant Receiving Clerk	Travelers	50,000
Sara Green	Assistant Receiving Clerk	RLI Surety	50,000
Holly Bilbo	Assistant Receiving Clerk	RLI Surety	50,000
Jane Clayton	Assistant Receiving Clerk	RLI Surety	50,000
Sheila Daniels	Deputy Chancery Clerks	RLI Surety	50,000
Gloria Jordan	Deputy Chancery Clerks	RLI Surety	50,000
Darlene L Lee	Deputy Chancery Clerks	RLI Surety	50,000
Katie R Lee	Deputy Chancery Clerks	RLI Surety	50,000
Karla McCarty	Deputy Chancery Clerks	RLI Surety	50,000
Heddi Morel	Deputy Chancery Clerks	RLI Surety	50,000
Larrinell Scarborough	Deputy Chancery Clerks	RLI Surety	50,000
Cassandra Tribble	Deputy Chancery Clerks	RLI Surety	50,000
Rachel Johnson	Deputy Chancery Clerks	RLI Surety	50,000
Katharine Corr	Deputy Circuit Clerk	RLI Surety	50,000
Joleen Fore	Deputy Circuit Clerk	RLI Surety	50,000
Valerie Ladner	Deputy Circuit Clerk	RLI Surety	50,000
Kendra Maggiore	Deputy Circuit Clerk	RLI Surety	50,000
Jason Shiyu	Deputy Circuit Clerk	RLI Surety	50,000
Lisa M Guidry	Justice Court Clerk	RLI Surety	50,000
Jane Clayton	Deputy Justice Court Clerk	RLI Surety	50,000
Kristy Sand	Deputy Justice Court Clerk	RLI Surety	50,000
Amber Ladner	Deputy Justice Court Clerk	RLI Surety	50,000
Amanda Bourn	Deputy Justice Court Clerk	RLI Surety	50,000
Leslie Besancon	Deputy Tax Collector	RLI Surety	50,000
Melissa Fucich	Deputy Tax Collector	RLI Surety	50,000
Tiffany Jones	Deputy Tax Collector	RLI Surety	50,000
Britini Moody	Deputy Tax Collector	RLI Surety	50,000
Sandra Hoda	Deputy Tax Collector	RLI Surety	50,000
Natalia S Maggio	Deputy Tax Collector	RLI Surety	50,000
Candice Allen	Deputy Tax Collector	RLI Surety	50,000
Tracey Meranto	Deputy Tax Collector	RLI Surety	50,000
Brianna Palmer	Deputy Tax Collector	RLI Surety	50,000
Yolanda Sanders	Deputy Tax Collector	RLI Surety	50,000
Shelley Cuevas	Deputy Tax Collector	RLI Surety	50,000
Dana Maggiore	Deputy Tax Collector	RLI Surety	50,000
Carrie McQueen	Deputy Tax Collector	RLI Surety	50,000
Brittany Lee	Deputy Tax Collector	RLI Surety	50,000
Gabrielle Morel	Deputy Tax Collector	RLI Surety	50,000
Kathryn Hurt	Deputy Tax Assessor	RLI Surety	50,000
Britni Moody	Deputy Tax Assessor	RLI Surety	50,000
Geraldine Waltman	Deputy Tax Assessor	RLI Surety	50,000

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Hancock County, Mississippi
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2017
UNAUDITED

<u>Name</u>	<u>Title</u>	<u>Company</u>	<u>Coverage</u>
Carolyn Jones	Deputy Tax Assessor	RLI Surety	50,000
Lee Bennett	Field Appraisers	RLI Surety	10,000
Sarah Garcia	Field Appraisers	RLI Surety	10,000
Richard Loper	Field Appraisers	RLI Surety	10,000
Glen Meranto	Field Appraisers	RLI Surety	10,000
Charles Oliver	Field Appraisers	RLI Surety	10,000
Ethel Poillion	Field Appraisers	RLI Surety	10,000
Dwayne Raphael	Field Appraisers	RLI Surety	10,000
Alexander Gill	Field Appraisers	RLI Surety	10,000
Marty Wright	Field Appraisers	RLI Surety	10,000
April Shiyou	McLeod Park Clerk	RLI Surety	50,000
Whitney Cuevas	McLeod Park Clerk	RLI Surety	50,000
Victor Johnson	Road Manager	RLI Surety	50,000
Brian Adam	Fire Marshall	RLI Surety	50,000
John Albert Evans	Fire Marshall	RLI Surety	50,000
Anthony Cuevas	Director of Planning & Zoning	RLI Surety	50,000
Tracy J O'Neal	Planning & Zoning Clerk	RLI Surety	50,000
Geri Bouchie	Planning & Zoning Clerk	RLI Surety	50,000
Shane Wyman	Animal Shelter	RLI Surety	50,000
Kelsey Pate	Animal Shelter	RLI Surety	50,000
Kersondra Hoetger	Animal Shelter	RLI Surety	50,000
Ricky Reynolds	Dispatcher	RLI Surety	50,000
Marie L Kieff	Dispatcher	RLI Surety	50,000
Nathan Corr	Dispatcher	RLI Surety	50,000
Rebecca Rospoli	Deputy Clerk	RLI Surety	50,000
Teresa Osbourn	Deputy Clerk	RLI Surety	50,000
Holly Cuevas	Deputy Clerk	RLI Surety	50,000
Wanda Newbold	Deputy Clerk	RLI Surety	50,000
Ethel Gladney	Deputy Clerk	RLI Surety	50,000
Nadine Ferrell	Deputy Clerk	RLI Surety	50,000
Kathyleen Siebenkittel	Deputy Sheriff	RLI Surety	50,000
John Luther	Deputy Sheriff	RLI Surety	50,000
Timothy Airhart	Deputy Sheriff	RLI Surety	50,000
Ray Murphy	Deputy Sheriff	RLI Surety	50,000
Casey Piazza	Deputy Sheriff	RLI Surety	50,000
Kyle Malley	Deputy Sheriff	RLI Surety	50,000
Isreal Neff	Deputy Sheriff	RLI Surety	50,000
Edwin Merwin	Deputy Sheriff	RLI Surety	50,000
Roland Flowers	Deputy Sheriff	RLI Surety	50,000
Amanda Bourn	Deputy Sheriff	RLI Surety	50,000
Edward Besse	Deputy Sheriff	RLI Surety	50,000
Howard O'gwin	Deputy Sheriff	RLI Surety	50,000

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Hancock County, Mississippi
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2017
UNAUDITED

<u>Name</u>	<u>Title</u>	<u>Company</u>	<u>Coverage</u>
Theresa Beeson	Deputy Sheriff	RLI Surety	50,000
Brent Cuevas	Deputy Sheriff	RLI Surety	50,000
Richard Toler	Deputy Sheriff	RLI Surety	50,000
John Alison	Deputy Sheriff	RLI Surety	50,000
Robert Kessell	Deputy Sheriff	RLI Surety	50,000
Joseph Kersanac	Deputy Sheriff	RLI Surety	50,000
Jason Scott	Deputy Sheriff	RLI Surety	50,000
Donald Siebenkittel	Deputy Sheriff	RLI Surety	50,000
Lindamarie Mckibban	Deputy Sheriff	RLI Surety	50,000
Bruce Lilly	Deputy Sheriff	RLI Surety	50,000
Joshua Biehl	Deputy Sheriff	RLI Surety	50,000
William Reid	Deputy Sheriff	RLI Surety	50,000
Thomas Kent	Deputy Sheriff	RLI Surety	50,000
Cody Fayard	Deputy Sheriff	RLI Surety	50,000
Christopher Robbins	Deputy Sheriff	RLI Surety	50,000
Keven Empey	Deputy Sheriff	RLI Surety	50,000
Michael Boutte	Deputy Sheriff	RLI Surety	50,000
Patrick Dell	Deputy Sheriff	RLI Surety	50,000
Reginald Fowler	Deputy Sheriff	RLI Surety	50,000
John Ladner	Deputy Sheriff	RLI Surety	50,000
Nathan Hoda	Deputy Sheriff	RLI Surety	50,000
Paula Necaie	Deputy Sheriff	RLI Surety	50,000
Stephen Calvin	Deputy Sheriff	RLI Surety	50,000
Jason Gallo	Deputy Sheriff	RLI Surety	50,000
Casey Favre	Deputy Sheriff	RLI Surety	50,000
Aaron Jones	Deputy sheriff	RLI Surety	50,000
Colin Freeman	Deputy Sheriff	RLI Surety	50,000
Vincente Gilbert	Deputy Sheriff	RLI Surety	50,000
Troy Smith	Deputy Sheriff	RLI Surety	50,000
Dustyn Franklin	Deputy Sheriff	RLI Surety	50,000
Shondi Garcia	Deputy Sheriff	RLI Surety	50,000
Eddie Peterson	Deputy Sheriff	RLI Surety	50,000
Keith Lore	Deputy Sheriff	RLI Surety	50,000
Christopher Russell	Deputy Sheriff	RLI Surety	50,000
Ronald Borja	Deputy Sheriff	RLI Surety	50,000
Jason Fail	Deputy Sheriff	RLI Surety	50,000
Taylor Reed	Deputy Sheriff	RLI Surety	50,000
Sean Fraleigh	Deputy Sheriff	RLI Surety	50,000
Robert Lott	Deputy Sheriff	RLI Surety	50,000
Milton Latcher	Deputy Sheriff	RLI Surety	50,000
John King	Deputy Sheriff	RLI Surety	50,000
James Alphonson	Deputy Sheriff	RLI Surety	50,000
Matthew Kutcher	Deputy Sheriff	RLI Surety	50,000
Carl Contranchis	Deputy Sheriff	RLI Surety	50,000
Andre Fizer Sr	Deputy Sheriff	RLI Surety	50,000
Mark Alison	Deputy Sheriff	RLI Surety	50,000
Anthony Gambino	Deputy Sheriff	RLI Surety	50,000
Laura Stepro	Deputy Sheriff	RLI Surety	50,000
Lynn Jones	Deputy Sheriff	RLI Surety	50,000
Deanna Thompson	Deputy Sheriff	RLI Surety	50,000

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Hancock County, Mississippi
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2017
UNAUDITED

<u>Name</u>	<u>Title</u>	<u>Company</u>	<u>Coverage</u>
Joe Flynt	Deputy Sheriff	RLI Surety	50,000
Russell Shoultz	Deputy Sheriff	RLI Surety	50,000
Joshua Williams	Deputy Sheriff	RLI Surety	50,000
John Favaloro	Deputy Sheriff	RLI Surety	50,000
Darryl Russell Jr.	Deputy Sheriff	RLI Surety	50,000
Howard Parker Jr.	Deputy Sheriff	RLI Surety	50,000
Douglas McBride	Deputy Sheriff	RLI Surety	100,000
Andrew Greenwood	Deputy Sheriff	RLI Surety	50,000
Michael Coleman	Deputy Sheriff	RLI Surety	50,000
Daniel Norris	Deputy Sheriff	RLI Surety	50,000
Bob Armstrong	Deputy Sheriff	RLI Surety	50,000
John Bunce	Deputy Sheriff	RLI Surety	50,000
Jonathan Kelton	Deputy Sheriff	RLI Surety	50,000
Chad Hoda	Deputy Sheriff	RLI Surety	50,000
Alan Dell	Deputy Sheriff	RLI Surety	50,000
Thomas Jennings	Deputy Sheriff	RLI Surety	50,000
Phi Pham	Deputy Sheriff	RLI Surety	50,000
Leeanna Dunigan	Deputy Sheriff	RLI Surety	50,000
Deannnda Burnett	Deputy Sheriff	RLI Surety	50,000
Abe Long	Deputy Sheriff	RLI Surety	50,000
Richard Delmore	Deputy Sheriff	RLI Surety	50,000
Gary Gros	Deputy Sheriff	RLI Surety	50,000
Brett Morreale	Deputy Sheriff	RLI Surety	50,000
Richard Wilson	Deputy Sheriff	RLI Surety	50,000
Michael Riggs	Deputy Sheriff	RLI Surety	50,000
William Morgan	Deputy Sheriff	RLI Surety	50,000
Zachary Bass	Deputy Sheriff	RLI Surety	50,000
Shane Jordan	Deputy Sheriff	RLI Surety	50,000
Jason Allen	Deputy Sheriff	RLI Surety	50,000
Glenn Grannan	Deputy Sheriff	RLI Surety	50,000
Thomas Bethea	Deputy Sheriff	RLI Surety	50,000
Donald Bass	Deputy Sheriff	RLI Surety	50,000
William Covington	Deputy Sheriff	RLI Surety	50,000
Marcus Jassby	Deputy Sheriff	RLI Surety	50,000
Sarah Bell	Deputy Sheriff	RLI Surety	50,000
Michael Seal	Deputy Sheriff	RLI Surety	50,000
Thomas Askew	Deputy Sheriff	RLI Surety	50,000
Christopher Kiddy	Deputy Sheriff	RLI Surety	50,000
Jordan Galvin	Deputy Sheriff	RLI Surety	50,000
Eloi Guidry	Deputy Sheriff	RLI Surety	50,000
Douglas Peterson	Deputy Sheriff	RLI Surety	50,000
Joshua Holland	Deputy Sheriff	RLI Surety	50,000
Blaine Freeman	Deputy Sheriff	RLI Surety	50,000
Colin Ladner	Deputy Sheriff	RLI Surety	50,000
Anthony Licciardi	Deputy Sheriff	RLI Surety	50,000
Albert Bielh	Deputy Sheriff	RLI Surety	50,000
Eric Moran Jr.	Correction Officers	RLI Surety	50,000
Jason Skains	Correction Officers	RLI Surety	50,000
Derik Ladner	Correction Officers	RLI Surety	50,000

(Continued on Next Page)

Hancock County, Mississippi
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2017
UNAUDITED

<u>Name</u>	<u>Title</u>	<u>Company</u>	<u>Coverage</u>
Wanda Paulk	Correction Officers	RLI Surety	50,000
Adriane Avery	Correction Officers	RLI Surety	50,000
Merlin Necaïse	Correction Officers	RLI Surety	50,000
Joseph Gendreau	Correction Officers	RLI Surety	50,000
Everett Gilkerson	Correction Officers	RLI Surety	50,000
Guy Graham	Correction Officers	RLI Surety	50,000
Joy Normand	Correction Officers	RLI Surety	50,000
Leslie Jordan	Correction Officers	RLI Surety	50,000
Troy Theriot	Correction Officers	RLI Surety	50,000
Tyler Lawshe	Correction Officers	RLI Surety	50,000
Jade Derouen	Correction Officers	RLI Surety	50,000
Ronald Slaughter	Correction Officers	RLI Surety	50,000
Renee Lick	Correction Officers	RLI Surety	50,000
Brandon Zeringue	Correction Officers	RLI Surety	50,000
Ronald Thompson	Correction Officers	RLI Surety	50,000
Andrew Johnson	Correction Officers	RLI Surety	50,000
Dwayne Bremer	Correction Officers	RLI Surety	50,000
Brandi Faulk	Correction Officers	RLI Surety	50,000
Richard Geoffrey	Correction Officers	RLI Surety	50,000
David Foster	Correction Officers	RLI Surety	50,000
Patrick Kenny	Correction Officers	RLI Surety	50,000
Allen Sekinger	Correction Officers	RLI Surety	50,000
Leroy Cospelich	Correction Officers	RLI Surety	50,000
Ricky Foster	Correction Officers	RLI Surety	50,000
Guy Warden	Correction Officers	RLI Surety	50,000
Rose Dennis	Correction Officers	RLI Surety	50,000
Crystal Ford	Correction Officers	RLI Surety	50,000
Travis Necaïse	Correction Officers	RLI Surety	50,000
Lalaynnia Desperalta	Correction Officers	RLI Surety	50,000
Charles Payne	Correction Officers	RLI Surety	50,000
Roy Whittle	Correction Officers	RLI Surety	50,000
Samuel Scaffidi	Correction Officers	RLI Surety	50,000
Jeremy Shiyu	Correction Officers	RLI Surety	50,000
Frank Cuevas	Correction Officers	RLI Surety	50,000
Bryce Walker	Correction Officers	RLI Surety	50,000
Amanda Parker	Correction Officers	RLI Surety	50,000
Nicole Foster	Correction Officers	RLI Surety	50,000
Patrick Collins	Correction Officers	RLI Surety	50,000

SPECIAL REPORTS

**Independent Auditor's 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 *Government Auditing Standards***

Members of the Board of Supervisors
Hancock 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, each major fund and the aggregate remaining fund information of Hancock County, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 15, 2018.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Hancock County, Mississippi's internal control over financial reporting 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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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. 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2017-001, 2017-002 and 2017-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hancock County, Mississippi's financial statements are free of 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*.

We also noted certain immaterial instances of noncompliance which we have reported to the management of Hancock County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated August 15, 2018, included within this document.

Hancock County's Responses to Findings

Hancock County's responses to the findings identified in our audit are described in the accompanying auditee's corrective action plan. We did not audit Hancock County's responses and, accordingly, we express no opinion on them.

Purpose of 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.

Necaise & Company PLLC

Necaise & Company, PLLC
Kiln, Mississippi
August 15, 2018

**Independent Auditor's Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by Uniform Guidance**

Member of the Board of Supervisors
Hancock County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the compliance of Hancock County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended September 30, 2017. Hancock 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Hancock County, Mississippi's major federal program(s) 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 Hancock 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 Hancock County's compliance.

Opinion on Each Major Federal Program

In our opinion, Hancock County, Mississippi, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of Hancock 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 Hancock 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 the County'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. 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.

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.

Necaise & Company PLLC

Necaise & Company, PLLC
Kiln, Mississippi
August 15, 2018

**Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules
(Required by Section 31-7-115, Mississippi Code Ann. 1972)**

Members of the Board of Supervisors
Hancock County, Mississippi

We have examined Hancock 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, 2017. The Board of Supervisors of Hancock 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 Hancock 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 the state law.

The County did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets.

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 certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Inventory Control:

- | | |
|-----------------|---|
| 1. | <u>Inventory Not Recorded</u> |
| Repeat Finding: | Yes (Finding 2015-005, 2016-001) |
| Criteria: | MS Code Section 31-7-101 through 31-7-127 |
| Condition: | Our tests revealed approximately \$269,500 worth of assets that were not in the inventory system. |
| Cause: | Controls are not suitably designed to identify all capital assets. |
| Effect: | Assets could be misstated. |
| Recommendation: | We recommend additional training in inventory management and control, as well as proper oversight to ensure assets are identified and recorded. |

Views of Responsible Officials: Changes to our Inventory Control System are being made to reduce, if not eliminate, the opportunity for assets to be overlooked and NOT recorded in the Inventory System.

Purchase Clerk:

2. Purchases with Credit Cards

Repeat Finding: No

Criteria: Credit cards authorized under MS Code Section 19-3-68 should be used for travel.

Condition: Our tests revealed several credit card purchases for goods and/or services that did not pertain to travel.

Cause: Credit cards were used to purchase goods and services not related to travel.

Effect: Legal noncompliance.

Recommendation: We recommend the Board of Supervisors adopt policies to ensure credit card use follows the MS Code.

Views of Responsible Officials: We intend to correct this issue.

In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, Hancock County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2017.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchase 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.

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

This report is intended for use in evaluating Hancock County, Mississippi's compliance with the aforementioned requirements, 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.

Necaise & Company PLLC

Necaise & Company, PLLC
Kiln, Mississippi
August 15, 2018

Hancock County, Mississippi
Schedules in Accordance with Section 31-7-115, Mississippi Code Ann. (1972)
For the Year Ended September 30, 2017

Schedule of Purchases Not Made From the Lowest Bidder

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting</u>
3/9/2017	Playground Equipment & Installation	\$ 120,000	Planet Recess	\$ 115,533.52	More equipment, better quality and faster installation times.

***Hancock County, Mississippi
Schedules in Accordance with Section 31-7-115, Mississippi Code Ann. (1972)
For the Year Ended September 30, 2017***

Schedule of Emergency Purchases

Our tests did not identify any emergency purchases.

Hancock County, Mississippi
Schedules in Accordance with Section 31-7-115, Mississippi Code Ann. (1972)
For the Year Ended September 30, 2017

Schedule of Purchases Made Noncompetitively From a Sole Source

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
11/3/2016	Body Cameras and Software	\$ 25,740	Metrix Solutions LLC
11/8/2016	Life Packs and Cabinet	33,249	Stop Heart Attach
2/3/2017	Taser Holders and Cartridges	5,616	Taser International
2/23/2017	License Plate Reader	17,981	TCS Ware Inc.
5/17/2017	Reagents, Consumables and Laboratory Supplies	7,955	Drug Testing Program Management

Limited Internal Control and Compliance Review Management Report

Members of the Board of Supervisors
Hancock County, Mississippi

In planning and performing our audit of the financial statements of Hancock County, Mississippi for the year ended September 30, 2017, we considered Hancock 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 Hancock 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 August 15, 2018, on the financial statements of Hancock 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 certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors

1. Old Unclaimed Property

Repeat Finding: No

Criteria: MS Code Section 89-12-23

Condition: The County is holding unclaimed property older than five (5) years.

Cause: Unclaimed property not submitted to the State Treasurer.

Effect: Accumulated outstanding balances.

Recommendation: We recommend the County complete the unclaimed property report provided by the State Treasurer, and remit payment.

Views of Responsible Officials: We are in the process of reviewing several of our funds which might have an accumulation of outstanding, unclaimed property. We will comply with the requirements of MS Code Section 89-12-23 upon completion of our review.

Chancery Clerk

2. Fees Over the Salary Cap

Repeat Finding: No

Criteria: MS Code Section 27-105-371

Condition: The Chancery Clerk did not remit all fees subject to the salary cap.

Cause: Fees received for copying the Homestead rolls were recorded outside the salary cap.

Effect: All funds were not settled to the County General Fund.

Recommendation: We recommend the Chancery Clerk remit unsettled funds to the County General Fund.

Views of Responsible Officials: All unsettled funds have been remitted to the County General Fund. All funds required to be settled will be remitted in a timely manner in the future.

Sheriff and Board of Supervisors

3. Unsigned Timesheets

Repeat Finding: No

Criteria: Timesheets should be signed by supervisors.

Condition: We noted several instances of unsigned time sheets by the Sheriff's department.

Cause: Time sheets are being submit without proper review.

Effect: Internal controls over reporting time are not being utilized to ensure that accurate time is being submitted.

Recommendation: We recommend the Sheriff's department implement policies and/or procedures to ensure time sheets are properly reviewed and authorized before being submitted to the payroll clerk. In addition, the payroll clerk should not process timesheets without proper authorization.

Views of Responsible Officials: Policies will be implemented to require that time sheets receive proper review and authorization before submitting to payroll for processing. Payroll clerk will be directed to withhold processing of any time sheet without proper authorization.

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

This report is intended 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.

Necaise & Company PLLC

Necaise & Company PLLC

Kiln, Mississippi

August 15, 2018

Hancock County, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditor's report issued on the financial statements: | |
| Governmental activities | Unmodified |
| General and other major funds | Unmodified |
| Aggregate remaining fund information | Unmodified |
| 2. Material noncompliance relating to the financial statements? | No |
| 3. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | |
|---|---------------|
| 4. Type of auditors' report issued on compliance for major federal programs? | Unmodified |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None Reported |
| 6. Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7. Federal programs identified as major programs: | |
| <u>CFDA Number</u> <u>Program Name</u> | |
| 14.228 Community Development Block Grant (state program) | |
| 15.668 Coastal Impact Assistance Grant | |
| 8. The dollar threshold used to distinguish between type A and type B programs: | 750,000 |
| 9. Auditee qualified as low-risk? | No |

Hancock County, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

Section 2: Financial Statement Findings

Board of Supervisors
Significant Deficiency

2017-001	<u>The Inventory Control System should be Accurate and Up-to-Date.</u>
Repeat Finding:	Yes (2015-005 and 2016-001)
Criteria:	The County's inventory control system should include all capital assets.
Condition:	We noted approximately \$269,500 of assets that were not recorded in the County's inventory control system.
Cause:	Internal controls are not sufficient to ensure asset purchases are recorded in the inventory system.
Effect:	Capital assets were misstated and had to be adjusted.
Recommendation:	We recommend the Board review controls over capital assets and make improvements to ensure assets are recorded.

Board of Supervisors
Significant Deficiency

2017-002	<u>The General Fund is Out of Balance.</u>
Repeat Finding:	No
Criteria:	Each fund in the General Ledger should be in Balance.
Condition:	We noted the General Fund was out of balance and had to be adjusted.
Cause:	The County's software does not restrict edits to ledgers once a period is closed. Changes were posted after-the-fact that caused the General Fund to be out of balance and bank reconciliations to change.
Effect:	The County's general ledger and cash balances were misstated.
Recommendation:	We recommend internal controls be implemented to provide proper oversight over reconciliations and changes to prior accounting periods.

Hancock County, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

Board of Supervisors
Significant Deficiency

2017-003 Controls over Classifications should be Strengthened.

Repeat Finding: No

Criteria: Revenues and disbursements should be recorded in the proper accounts.

Condition: We noted a significant amount of transactions that were recorded in incorrect accounts. In addition, department officials are responsible for assigning budget codes on requisitions. We noted many occasions where the disbursements were charged to the wrong account.

Cause: Several deposits and disbursements were recorded to incorrect accounts.

Effect: Revenue and expenses were misclassified.

Recommendation: We recommend controls be implemented to review financial statements on a monthly basis to ensure proper classification. In addition, the Purchase and Accounts Payable Clerk should be responsible for monitoring budget coding to ensure financial reports provided to the Board and public are accurate.

Section 3: Findings Required to be Reported by the Uniform Guidance

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



David Yarborough
District 1

Greg Shaw
District 2

Blaine LaFontaine
District 3
President

BOARD OF SUPERVISORS

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Scotty Adam
District 4
Vice President

Darrin "Bo" Ladner
District 5

Gary Yarborough, Jr
Board Attorney

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

September 27, 2018

Ty Necaise
3590 Rocky Hill Dedeaux Road
Kiln, MS 39556

Dear Mr. Necaise:

Hancock County respectfully submits the following correction action plan for year ended in September 30, 2017.

The findings from the Schedule of Findings and Questions 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

2017-001 Corrective Action Planned:

Changes to our Inventory Control System are being made to reduce, if not eliminate, the opportunity for assets to be overlooked and NOT recorded in the Inventory System. Applicable Purchase Orders will be tracked from issue through payment and recording in system. As recommended, monthly physical inventories will be performed to ensure accuracy.

Anticipated Completion Date: October 1, 2018

Contact Person Responsible for Corrective Action: Eddie Favre, County Administrator

2017-002 Corrective Action Planned:

We have included funds in our FY 19 budget to replace our existing software with a more complete, more flexible software that will not only provide the necessary

safeguards to prohibit something like this from happening again, but will also provide better flexibility for more useful user generated reports.

Anticipated Completion Date: September 30, 2019

Contact Person Responsible for Corrective Action: Eddie Favre, County Administrator

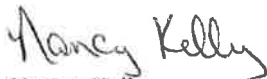
2017-003 Corrective Action Planned:

Beginning in October, 2018, monthly meetings will be held with all departments to review budget status, including improper coding problems. Budget problems will then be identified on a more timely basis for immediate action. Purchasing will be directed to correct any improper coding BEFORE purchase orders are issued. Accounts Payable will be directed to review docket items more thoroughly to identify any problems BEFORE invoices are recorded and paid. The ultimate solution is for department requisitions NOT to include the object code and to have it correctly provided by purchasing or accounting.

Anticipated Completion Date: November 1, 2018

Contact Person Responsible for Corrective Action: Eddie Favre, County Administrator

Sincerely,

A handwritten signature in dark ink, appearing to read "Nancy Kelly". The signature is written in a cursive, flowing style.

Nancy Kelly
Comptroller