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HARRISON COUNTY, MISSISSIPPI  
Audited Financial Statements  
and Special Reports  
For the Year Ended September 30, 2017



# HARRISON COUNTY, MISSISSIPPI

## TABLE OF CONTENTS

### FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4
FINANCIAL STATEMENTS	
Statement of Net Position.....	14
Statement of Activities.....	16
Balance Sheet - Governmental Funds.....	17
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	19
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Net Position - Proprietary Fund.....	21
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund.....	22
Statement of Cash Flows - Proprietary Fund.....	23
Statement of Fiduciary Assets and Liabilities.....	24
Notes to the Financial Statements.....	25
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) General Fund.....	69
Notes to the Required Supplementary Information - Budgetary Schedules.....	70
Schedule of Funding Progress - Other Postemployment Benefits.....	71
Schedule of County's Proportionate Share of the Net Pension Liability.....	72
Schedule of County Contributions.....	73
Notes to the Required Supplementary Information - Pension Schedules.....	74
SUPPLEMENTAY INFORMATION	
Schedule of Expenditures of Federal Awards.....	75
OTHER INFORMATION	
Schedule of Surety Bonds for County Officials.....	77
SPECIAL REPORTS	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	79
Independent Auditors' Report on Compliance for Each Major Program and on on Internal Control Over Compliance Required by Uniform Guidance.....	81
Independent Accountants' Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972)).....	83
Limited Internal Control and Compliance Review Management Report.....	88
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	90
AUDITEE'S CORRECTIVE ACTION PLAN AND SUMMARY OF PRIOR AUDIT FINDINGS.....	94
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	96



## FINANCIAL SECTION





# WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

*Certified Public Accountants*

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## INDEPENDENT AUDITORS' REPORT

June 5, 2018

Members of the Board of Supervisors  
Harrison County, Mississippi

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit (Harrison County Development Commission), each major fund, and the aggregate remaining fund information of Harrison County, Mississippi, as of and for the year ended September 30, 2017, and of the discretely presented component unit (Mississippi Coast Coliseum Commission) as of and for the 15-month period 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.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We audited the financial statements of Harrison County Development Commission and issued our report May 15, 2018, in which we issued unmodified opinions. Harrison County Development Commission represents 18 percent, 18 percent, and 30 percent, respectively, of the assets, net position, and revenues of the County's aggregate discretely presented component units. We did not audit the financial statements of Mississippi Coast Coliseum Commission which represent 82 percent, 82 percent, and 70 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Mississippi Coast Coliseum Commission, is based solely on the report of the other auditors.

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

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

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

### ***Basis for Qualified Opinion on Governmental Activities and the General Fund***

The County did not maintain an accurate aging of fines receivable of the Justice and Circuit Courts. Due to the lack of an accurate aging of accounts receivable, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported on the Statement of Net Position and the General Fund of \$6,167,207, as of September 30, 2017.

### ***Qualified Opinion***

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities and the General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of Harrison County, Mississippi, and its discretely presented component unit as of September 30, 2017, and the changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinions***

In our opinion, based upon our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component units, each major fund and the aggregate remaining fund information of Harrison 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.

### ***Emphasis of Matter***

As discussed in Note 1(B) to the financial statements, the Mississippi Coast Coliseum Commission (a discretely presented component unit) opted to change its fiscal year end from June 30, 2017 to September 30, 2017 for consistency purposes. The change in its fiscal year end resulted in an audit with a one-time 15-month audit period. Our opinion is not modified with respect to that matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule and corresponding notes, Schedule of the County's Proportionate Share of the Net Pension Liability, Schedule of the County's Contributions, and the Schedule of Funding Progress – Other Postemployment Benefits be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required

supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harrison County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated June 5, 2018, on our consideration of Harrison County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Harrison 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 Harrison County, Mississippi's internal control over financial reporting and compliance.

*Walter Woodworth & Sons*



## MANAGEMENT'S DISCUSSION AND ANALYSIS



HARRISON COUNTY, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2017  
UNAUDITED

***INTRODUCTION***

The discussion and analysis of Harrison County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2017. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

Harrison County is located on the Mississippi Gulf Coast. According to the United States Census Bureau, the estimated population of Harrison County as of July 1, 2017, is 205,022. The median household income for 2016 was \$43,095 with over 86.4% of persons 25 years or older holding a high school degree or higher.

***FINANCIAL HIGHLIGHTS***

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

Harrison County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a significant tax increase. The County government ad valorem tax rate has increased an average of only less than 1 mil over the last five years. This does not include School tax increases.

Total net position increased \$3,043,843, which includes a prior period adjustment in the amount of \$480,100, which represents a 245% increase from the prior fiscal year. The County's primary government's ending unrestricted cash balance increased by \$4,608,710 which represents a 6.9% increase from the prior fiscal year.

The County's primary government had \$111,287,463 in total revenues. Tax revenues, including property taxes, road & bridge taxes, taxes in lieu of federal government and gaming taxes account for \$73,489,659 or 66% of total revenues. State and federal revenues in the form of reimbursements, shared revenue, operating and capital grants, account for \$23,962,833 or 22% of total revenues. Charges for services performed by the County account for \$10,079,254 or 9% of total revenues, and interest combined with other miscellaneous revenues account for the remaining \$3,755,717 or 3% of total revenues.

The County had \$108,723,720 in total primary government expenses, which represents an increase of \$685,429 or .6% increase from the prior fiscal year. Expenses in the amount of \$27,022,343 were offset by grants and charges for services. General revenues of the primary government of \$84,265,120 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$64,182,226 in revenues plus \$8,132,346 in other financing sources and uses, and \$65,574,624 in expenditures. The General Fund's fund balance increased \$6,739,948 over the prior year.

Capital assets of the primary government, net of accumulated depreciation, increased by \$169,976 due primarily to additions of capital assets of \$6,593,936 and depreciation expense of \$6,250,809.

Long-term debt of the primary government decreased by \$2,943,780 which includes payment of bonds, loans and leases in the amount of \$18,925,197, new debt issuances in the amount of \$15,870,008, a decrease in compensated absences of \$77,898 and amortization of bond premiums and deferred amounts of refunding for a net amount of \$189,307.

HARRISON COUNTY, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2017  
UNAUDITED

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

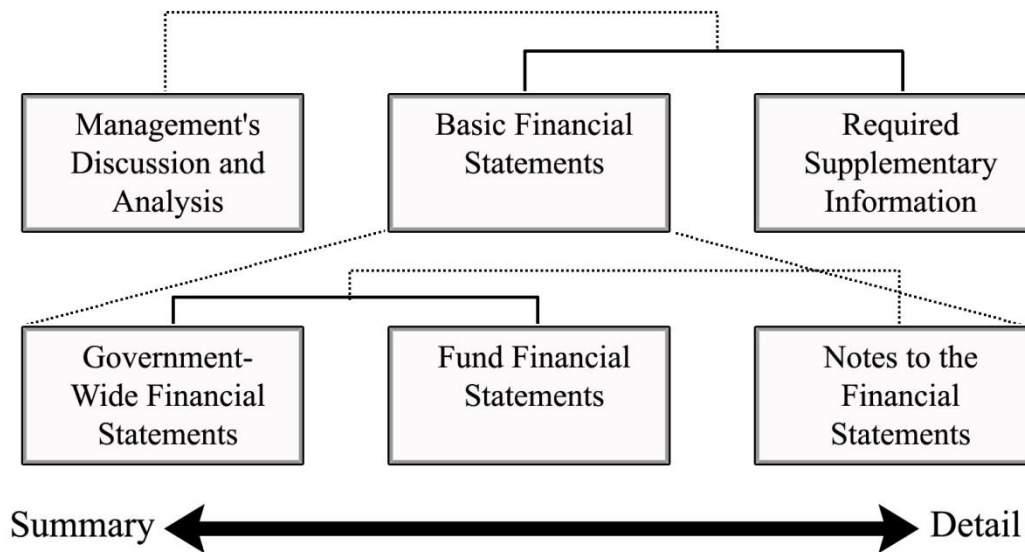


Figure 1 shows how required parts of this annual report are arranged and relate to one another.



HARRISON COUNTY, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2017  
UNAUDITED

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

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

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

HARRISON COUNTY, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2017  
UNAUDITED

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

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

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

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; conservation of natural resources; economic development and assistance; and interest on long-term debt.

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

- Harrison County Emergency Communications Commission

The County has the following discretely presented component units:

- Harrison County Development Commission
- The Mississippi Coast Coliseum Commission (financial statements were audited for a 15-month period ending September 30, 2017).

This discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government.

The Government-wide Financial Statements can be found on pages 14-16 of this report.

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

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

HARRISON COUNTY, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2017  
UNAUDITED

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 18 and 20 respectively.

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

The basic governmental funds financial statements can be found on pages 17 and 19, respectively.

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

The County's internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. The proprietary funds financial statements can be found on pages 21-23 of this report.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 24 of this report.

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 25-68 of this report.

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund. This required supplementary information starts on page 69 of this report.

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

HARRISON COUNTY, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2017  
UNAUDITED

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position** – Net position may serve over time as a useful indicator of a government's financial position. In the case of Harrison County, the primary government's liabilities and deferred inflows exceeded assets and deferred outflows by \$4,288,394 as of September 30, 2017.

By far, the largest portion of the County's net position \$83,975,394 reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The County uses these capital assets to provide services to its citizens.

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

The following table presents a summary of the County's net position for the fiscal year ended September 30, 2017.

**Table 1**  
HARRISON COUNTY, MISSISSIPPI  
Condensed Statement of Net Position  
September 30, 2017 and 2016

	Primary Government Governmental Activities	
	2017	2016
Assets		
Current assets	\$ 139,428,960	136,204,091
Capital assets, net	162,964,219	162,314,143
Total Assets	302,393,179	298,518,234
Deferred Outflow of Resources	33,116,643	51,181,954
Liabilities		
Current liabilities	7,445,363	9,448,167
Long-term debt outstanding	157,163,830	159,468,779
Other noncurrent liabilities	86,945,189	92,913,267
Total Liabilities	251,554,382	261,830,213
Deferred Inflow of Resources	79,667,046	86,625,424
Net Position		
Net investment in capital assets	83,975,394	80,373,944
Restricted	29,395,684	47,989,936
Unrestricted	(109,082,684)	(127,119,329)
Total Net Position	\$ 4,288,394	1,244,551

HARRISON COUNTY, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2017  
UNAUDITED

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

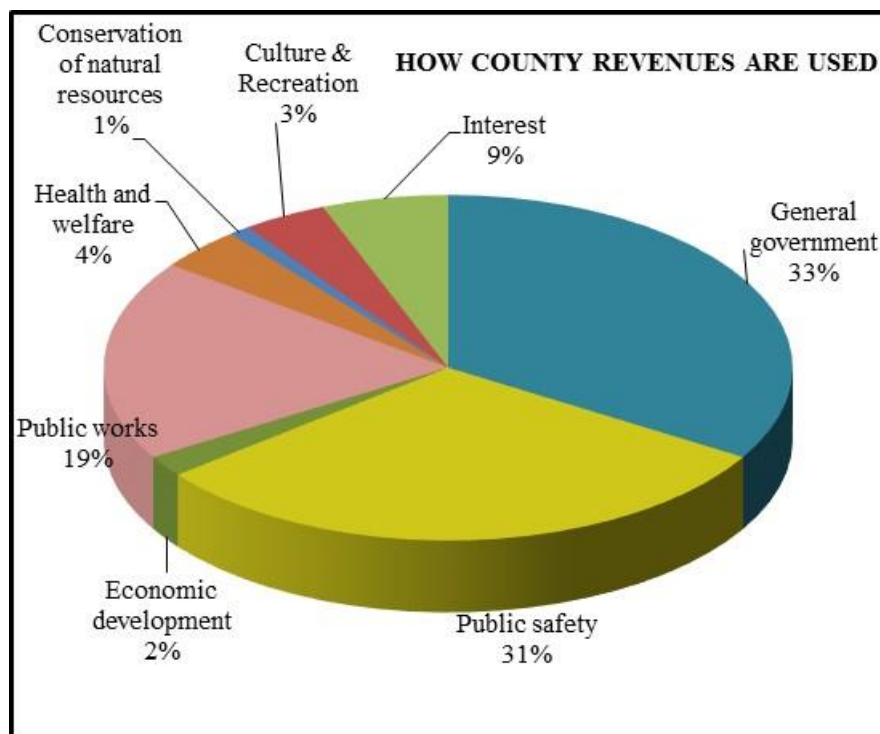
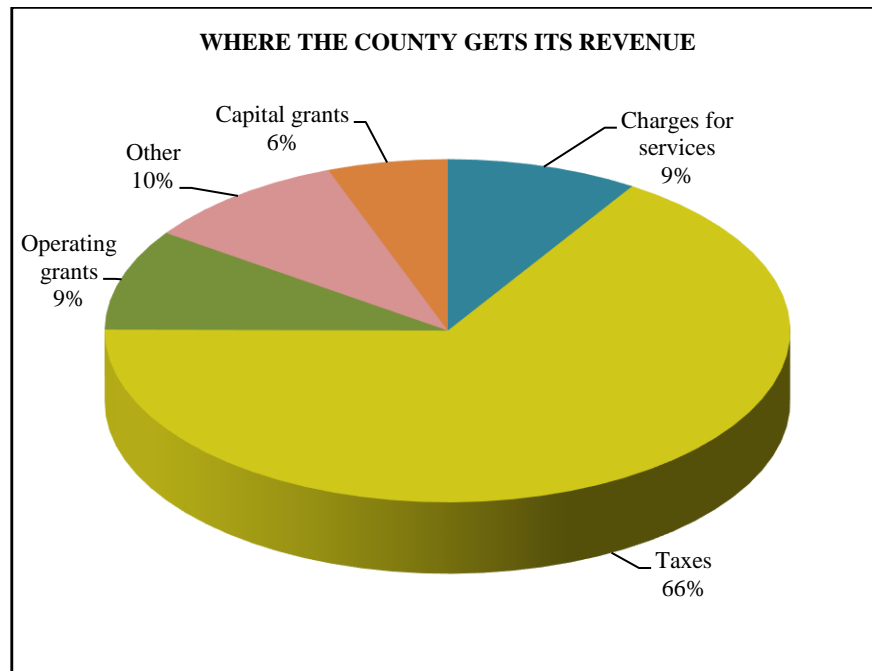
- The Board of Supervisors used accumulated cash balances to avoid tax increases.
- A net decrease in the amount of \$2,865,882 of long-term debt principal, excluding compensating absences.
- Capital assets increased by \$169,976 primarily from equipment purchased with capital leases.

**Changes in Net Position** – Harrison County's total revenues in the primary government for the fiscal year ended September 30, 2017 were \$111,287,463. The total cost for all services provided by the primary government was \$108,723,720. The increase in net position was \$3,043,843, which includes a prior period adjustment of 480,100. The following table presents a summary of the changes in net position for the fiscal year ended September 30, 2017.

**Table 2**  
HARRISON COUNTY, MISSISSIPPI  
Condensed Statement of Activities  
For Year Ended September 30, 2017 and 2016

	2017	2016
Revenues		
Charges for services	\$ 10,079,254	9,721,031
Operation grants and contributions	10,629,595	14,659,149
Capital grants and contributions	6,313,494	9,509,999
General revenues	84,265,120	76,249,102
Total Revenues	<u>111,287,463</u>	<u>110,139,281</u>
Program Expenses		
General government	36,866,754	34,442,023
Public safety	33,621,680	33,462,014
Public works	20,695,654	21,322,612
Health and welfare	4,430,052	5,174,265
Culture and recreation	3,994,297	3,152,331
Conservation of natural resources	784,525	295,761
Economic development and assistance	2,031,368	1,167,465
Interest on long-term debt	6,299,390	9,021,820
Total Expenses	<u>108,723,720</u>	<u>108,038,291</u>
Change in Net Position	<u>2,563,743</u>	<u>2,100,990</u>
Beginning Net Position, as previously reported	1,244,551	(873,984)
Prior period adjustment	480,100	17,545
Beginning Net Position, restated	<u>1,724,651</u>	<u>(856,439)</u>
Ending Net Position	<u>\$ 4,288,394</u>	<u>1,244,551</u>

HARRISON COUNTY, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2017  
UNAUDITED



HARRISON COUNTY, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2017  
UNAUDITED

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

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

	<u>Total Costs</u>	<u>Net Costs</u>
Primary Governmental Activities:		
General Government	\$ 36,866,754	\$ (30,921,347)
Public Safety	33,621,680	(24,278,245)
Public Works	20,695,654	(10,468,922)
Health and Welfare	4,430,052	(3,553,734)
Culture and Recreation	3,994,297	(3,608,037)
Conservation of Natural Resources	784,525	(784,525)
Economic Development and Assistance	2,031,368	(1,787,177)
Interest on Long-term Debt	6,299,390	(6,299,390)

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

Governmental funds – At the close of the fiscal year, Harrison County's governmental funds reported a combined fund balance of \$72,977,222, and an increase of \$6,806,839. The primary reasons for this increase are highlighted in the analysis of governmental activities.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$6,739,948.

***BUDGETARY HIGHLIGHTS OF MAJOR FUNDS***

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

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

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

HARRISON COUNTY, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2017  
UNAUDITED

***CAPITAL ASSETS AND DEBT ADMINISTRATION***

Capital Assets – As of September 30, 2017, Harrison County's total capital assets were \$320,010,005. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase of \$5,193,459 from the previous year of \$314,816,546, as adjusted. This increase is due primarily to additional capital assets purchased and constructed of \$6,593,936.

Total accumulated depreciation as of September 30, 2017, was \$157,045,786 including \$6,250,809 of depreciation expense for the year. The balance in total net capital assets was \$162,964,219 at year-end.

Additional information on Harrison County's capital assets can be found in Note 9 on page 41 of this report.

**Debt Administration** – At September 30, 2017, Harrison County had \$150,622,339 in long-term debt outstanding, net of discounts and premiums. Total debt shown in Note 14 is \$153,104,662. This amount less compensated absences of \$2,482,323 is \$150,622,339. There is also a deferred outflow associated with long-term debt in the amount of \$4,059,168. This includes general obligation bonds, revenue bonds, and obligations under capital lease. Of this debt, \$9,026,146 is due within one year.

Included in long-term non-capital debt is \$2,482,323 in compensated absences. This amount decreased \$77,898 from the prior year amount of \$2,560,221. The total debt due within one year in Note 14 is \$9,274,346. This amount less compensated absences of \$248,200 is \$9,026,146.

Harrison County maintains an AA- bond rating from Standard and Poors. The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County's outstanding debt associated with this limitation is \$145,223,000 or 6.62% of total assessed value.

Additional information on Harrison County's long-term debt can be found in Note 14 on page 54 of this report.

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

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

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



## FINANCIAL STATEMENTS



**HARRISON COUNTY, MISSISSIPPI**Exhibit 1

## Statement of Net Position

September 30, 2017

	Primary Government Governmental Activities	Component Units
<b>ASSETS</b>		
Cash	\$ 71,625,511	4,502,286
Investments	-	5,826,468
Accrued interest receivable	-	67,521
Property tax receivable	54,593,533	-
Premium receivable	620,543	-
Accounts receivables, net	333,603	2,372,631
Fines receivable (net of allowance for uncollectible of \$33,885,823)	6,167,207	-
Intragovernmental balances	2,172,058	(2,172,058)
Intergovernmental receivables	3,435,565	-
Loans receivable	62,128	-
Land inventory	-	9,495,012
Prepaid expenses	418,812	170,616
Restricted assets:		
Cash	-	22,892
Noncurrent assets:		
Investments, restricted	-	7,000,000
Land and construction in progress	22,681,957	9,668,302
Other capital assets, net	140,282,262	111,489,129
Total Assets	<u>\$ 302,393,179</u>	<u>148,442,799</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amounts on bond refunding	\$ 4,059,168	-
Deferred effective interest rate swaps	24,577,063	-
Deferred amounts on pension	4,480,412	378,249
Total Deferred Outflows of Resources	<u>\$ 33,116,643</u>	<u>378,249</u>

*Continued next page*

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

**HARRISON COUNTY, MISSISSIPPI**Exhibit 1

## Statement of Net Position

September 30, 2017

	Primary Government Governmental Activities	Component Units
<b>LIABILITIES</b>		
Claims payable	\$ 1,871,694	420,553
Wages payable	741,903	-
Retainage payable	9,926	-
Intergovernmental payables	2,867,868	327
Accrued interest payable	432,151	4,330
Intragovernmental balances	94,345	-
Unearned revenue	242,783	20,500
Amounts held in custody	396,073	878,150
Claims and judgments payable	788,620	-
Payable from restricted assets:		
Customer deposits	-	13,408
Long-term liabilities		
Other postemployment benefit obligation	2,165,880	-
Net pension liability	84,779,309	4,375,943
Due within one year:		
Capital debt	7,859,780	135,832
Non-capital debt	1,414,566	112,936
Due in more than one year:		
Capital debt	74,130,755	3,209,584
Non-capital debt	73,758,729	25,570
Total Liabilities	<u>\$ 251,554,382</u>	<u>9,197,133</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Hedging derivative instruments	\$ 24,577,063	-
Deferred property tax revenue	52,852,507	-
Deferred amounts on pension	2,237,476	114,286
Total Deferred Inflows of Resources	<u>\$ 79,667,046</u>	<u>114,286</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 83,975,394	117,605,038
Restricted:		
Permanently, nonspendable	-	7,000,000
Nonexpendable	622,390	10,550
Expendable:		
Debt service	22,854,660	-
Public safety	863,587	-
Health and welfare	213,738	-
Capital projects	4,841,309	-
Unrestricted	(109,082,684)	14,894,041
Total Net Position	<u>\$ 4,288,394</u>	<u>139,509,629</u>

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

**HARRISON COUNTY, MISSISSIPPI**  
Statement of Activities  
For the Period Ended September 30, 2017

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense)Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Units
					Government	
					Governmental Activities	
<b>Primary government (Year ended 09-30-2017):</b>						
Governmental activities:						
General government	\$ 36,866,754	5,130,703	814,704	-	(30,921,347)	
Public safety	33,621,680	4,707,337	1,217,565	3,418,533	(24,278,245)	
Public works	20,695,654	241,214	7,807,470	2,178,048	(10,468,922)	
Health and welfare	4,430,052	-	757,824	118,494	(3,553,734)	
Culture and recreation	3,994,297	-	32,032	354,228	(3,608,037)	
Conservation of natural resources	784,525	-	-	-	(784,525)	
Economic development and assistance	2,031,368	-	-	244,191	(1,787,177)	
Interest on long-term debt	6,299,390	-	-	-	(6,299,390)	
Total Primary government	<u>\$ 108,723,720</u>	<u>10,079,254</u>	<u>10,629,595</u>	<u>6,313,494</u>	<u>(81,701,377)</u>	
<b>Component units:</b>						
Governmental activities:						
Harrison County Development Commission (Year ended 09-30-2017)	\$ 2,678,853	854,934	-	781,710		(1,042,209)
Business-type activities:						
Harrison County Development Commission (Year ended 09-30-2017)	823,386	715,956	-	-		(107,430)
Mississippi Coast Coliseum Commission (15 month period ended 09-30-2017)	<u>11,640,066</u>	<u>5,137,190</u>	<u>-</u>	<u>-</u>		<u>(6,502,876)</u>
Total component units	<u>\$ 15,142,305</u>	<u>6,708,080</u>	<u>-</u>	<u>781,710</u>		<u>(7,652,515)</u>
General revenues:						
Property taxes				\$ 64,392,290		-
Road & bridge privilege taxes				2,596,797		-
Taxes in lieu - federal government				94,804		-
Gaming taxes				6,405,768		-
Grants and contributions not restricted to specific programs				6,926,306		-
Unrestricted gifts and donations				93,438		-
Investment income				462,004		242,389
Miscellaneous				<u>3,293,713</u>		<u>1,197,198</u>
Total general revenues				<u>84,265,120</u>		<u>1,439,587</u>
Changes in net position				<u>2,563,743</u>		<u>(6,212,928)</u>
Net position - beginning, as previously reported				1,244,551		145,722,557
Prior period adjustment				<u>480,100</u>		<u>-</u>
Net position - beginning, as restated				<u>1,724,651</u>		<u>145,722,557</u>
Net position - ending				<u>\$ 4,288,394</u>		<u>139,509,629</u>

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

**HARRISON COUNTY, MISSISSIPPI**

Balance Sheet - Governmental Funds

September 30, 2017

Exhibit 3

	Major Funds					
	General Fund	Roads Capital Projects Fund	General County Bond & Interest Sinking Fund	County Port Bond & Interest Sinking Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 21,990,868	3,743,004	2,483,405	8,445,378	34,794,779	71,457,434
Property tax receivable	40,107,363	2,561,436	4,900,880	-	7,023,854	54,593,533
Accounts receivable	-	-	-	-	333,603	333,603
Fines receivable (net of allowance for uncollectible of \$33,885,823)	6,167,207	-	-	-	-	6,167,207
Loans receivable	206,977	-	-	-	2,027,209	2,234,186
Intergovernmental receivables	1,513,426	-	-	96,239	1,825,900	3,435,565
Due from other funds	-	214,882	77,616	5,192,005	91,779	5,576,282
Total Assets	\$ 69,985,841	6,519,322	7,461,901	13,733,622	46,097,124	143,797,810
LIABILITIES AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 957,302	354,676	-	-	559,716	1,871,694
Wages payable	571,220	91,287	-	-	79,396	741,903
Retainage payable	-	-	-	-	9,926	9,926
Intergovernmental payables	2,867,868	-	-	-	-	2,867,868
Due to other funds	486,122	-	-	-	5,184,505	5,670,627
Unearned revenue	-	-	-	-	242,783	242,783
Amounts held in custody for others	396,073	-	-	-	-	396,073
Total Liabilities	\$ 5,278,585	445,963	-	-	6,076,326	11,800,874
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	\$ 38,366,337	2,561,436	4,900,880	-	7,023,854	52,852,507
Unavailable revenue - fines	6,167,207	-	-	-	-	6,167,207
Total deferred inflows of resources	\$ 44,533,544	2,561,436	4,900,880	-	7,023,854	59,019,714
Fund balances:						
Nonspendable:						
Loans receivable	\$ 206,977	-	-	-	2,027,209	2,234,186
Unemployment escrow	-	-	-	-	141,450	141,450
Restricted for:						
Debt service	-	-	2,561,021	13,733,622	6,560,017	22,854,660
Public safety	-	-	-	-	863,587	863,587
Health and welfare	-	-	-	-	213,738	213,738
Capital projects	-	-	-	-	4,841,309	4,841,309
Committed to:						
Public safety	-	-	-	-	7,030,089	7,030,089
Public works	-	3,511,923	-	-	9,567,434	13,079,357
Health and welfare	-	-	-	-	2,823,802	2,823,802
Conservation of natural resources	-	-	-	-	-	-
Economic development	-	-	-	-	29,824	29,824
Assigned to:						
General government	-	-	-	-	8,652	8,652
Unassigned	19,966,735	-	-	-	(1,110,167)	18,856,568
Total Fund Balances	\$ 20,173,712	3,511,923	2,561,021	13,733,622	32,996,944	72,977,222
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 69,985,841	6,519,322	7,461,901	13,733,622	46,097,124	143,797,810

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

**HARRISON COUNTY, MISSISSIPPI**

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
September 30, 2017

Exhibit 3-1

Total funds balance - Governmental Funds \$ 72,977,222

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets are used in governmental activities and are not financial resources; therefore are not reported in the funds, net of accumulated depreciation of \$157,045,786.

162,964,219

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

6,167,207

Long-term liabilities are not due and payable in the current period; therefore, are not reported in the funds.

(153,104,662)

Other postemployment benefits are not due and payable in the current period; therefore, are not reported in the funds.

(2,165,880)

Net pension obligations are not due and payable in the current period; therefore, are not reported in the funds.

(84,779,309)

Accrued interest payable is not due and payable in the current period; therefore, are not reported in the funds.

(432,151)

Deferred outflows and inflows of resources related to pensions are applicable to future periods; therefore, are not reported in the funds.

Deferred outflows of resources related to pensions

4,480,412

Deferred inflows of resources related to pensions

(2,237,476)

2,242,936

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

Deferred effective interest rate swaps - outflows

24,577,063

Derivative hedging instruments

(24,577,063)

-

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

418,812

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

-

Total Net Position - Governmental Activities

\$ 4,288,394

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

**HARRISON COUNTY, MISSISSIPPI**

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

Exhibit 4

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Roads Capital Projects Fund	General County Bond & Interest Sinking Fund	County Port Bond & Interest Sinking Fund		
<b>REVENUES</b>						
Property taxes	\$ 46,449,067	1,786,534	7,516,462	-	8,640,228	64,392,291
Road and bridge privilege taxes	-	2,596,797	-	-	-	2,596,797
Licenses, commissions and other revenue	4,082,032	-	-	-	-	4,082,032
Fines and forfeitures	1,210,507	-	-	-	1,151,771	2,362,278
Intergovernmental revenues	8,004,679	2,147,349	2,182	2,357,380	17,938,390	30,449,980
Charges for services	2,980,012	48,598	-	-	4,227,746	7,256,356
Interest income	187,701	17,560	24,300	43,207	186,284	459,052
Miscellaneous revenues	1,268,228	5,476	107,761	-	461,905	1,843,370
Total Revenues	64,182,226	6,602,314	7,650,705	2,400,587	32,606,324	113,442,156
<b>EXPENDITURES</b>						
Current:						
General government	31,348,722	-	-	-	1,361,922	32,710,644
Public safety	25,454,963	-	-	-	6,065,440	31,520,403
Public works	51,617	7,972,452	-	-	12,662,461	20,686,530
Health and welfare	4,356,464	-	-	-	371,847	4,728,311
Culture and recreation	2,897,562	-	-	-	644,960	3,542,522
Conservation of natural resources	192,532	-	-	-	579,084	771,616
Economic development and assistance	221,844	-	-	-	244,191	466,035
Debt service:						
Principal	850,400	198,909	4,725,000	383,840	2,047,048	8,205,197
Interest	192,744	6,942	1,849,992	166,137	3,924,095	6,139,910
Other debt service costs	7,776	-	707,744	1,037	2,157,223	2,873,780
Total Expenditures	65,574,624	8,178,303	7,282,736	551,014	30,058,271	111,644,948
Excess of Revenues over/(under) Expenditures	(1,392,398)	(1,575,989)	367,969	1,849,573	2,548,053	1,797,208
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sale of capital assets	-	-	-	-	73,500	73,500
Proceeds from capital lease financing	4,895,822	-	-	-	-	4,895,822
Proceeds from advance refunding	-	-	6,477,000	-	5,671,000	12,148,000
Payment to bond refunding escrow agent	-	-	(496,054)	-	(677,760)	(1,173,814)
Debt service principal - refunding bonds	-	-	(5,845,000)	-	(4,875,000)	(10,720,000)
Transfers in	3,736,803	-	367	-	2,272,409	6,009,579
Transfers out	(500,279)	(37,500)	-	(1,966,007)	(3,719,670)	(6,223,456)
Total Other Financing Sources and Uses	8,132,346	(37,500)	136,313	(1,966,007)	(1,255,521)	5,009,631
Net Changes in Fund Balances	6,739,948	(1,613,489)	504,282	(116,434)	1,292,532	6,806,839
Fund Balances - Beginning	13,433,764	5,125,412	2,056,739	13,850,056	31,704,412	66,170,383
Fund Balances - Ending	\$ 20,173,712	3,511,923	2,561,021	13,733,622	32,996,944	72,977,222

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



**HARRISON COUNTY, MISSISSIPPI**

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

Exhibit 4-1

Net changes in fund balances -governmental funds	\$ 6,806,839
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$6,593,936 exceeded depreciation of \$6,250,809 in the current period.	343,127
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$173,151.	(173,151)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full accrual basis of accounting.	(2,063,079)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$18,925,197 exceeded debt proceeds of 17,043,822.	1,881,375
Issuance of long-term debt (refunding bonds) provides current financial resources to the governmental funds, while the principal payments and payment to escrow for refunded debt consumes financial resources. Neither transaction, however, has any effect on net assets. In addition, government funds report the effect of premiums, discounts and deferred amounts on refunding when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Current year refunding bonds issued resulted in the following:	
Deferred amounts on refunding	1,173,814
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Increase in amortization of premium	345,676
Increase in deferred amounts on refunding	(534,983)
Decrease in compensated absences	77,898
Increase in other post employment benefits payable	(351,348)
Decrease in accrued interest payable	29,827
Pension expense and other related activity do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	
Pension expense and contributions made during the year	(4,819,144)
Prepaid items, such as prepaid insurance, are accounted for as expenditures in the period of acquisition and, therefore, are not reported as such in the funds.	(30,133)
Internal service funds are used to charge the costs of certain activities, such as insurance costs and risk management, to individual funds.	(122,975)
Change in net position of governmental activities	\$ <u>2,563,743</u>

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

**HARRISON COUNTY, MISSISSIPPI**

Statement of Net Position - Proprietary Fund

September 30, 2017

Exhibit 5

	Governmental Activities		
	Self-Insurance Fund	Tort Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ 95,184	72,893	168,077
Premiums receivable	606,666	13,877	620,543
Total Assets	701,850	86,770	788,620
LIABILITIES			
Claims and judgments payable	701,850	86,770	788,620
Total Liabilities	701,850	86,770	788,620
NET POSITION			
Restricted for claims	\$ -	-	-

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

**HARRISON COUNTY, MISSISSIPPI**

Statement of Revenues, Expenses and Changes in  
 Net Position - Proprietary Fund  
 For the Year Ended September 30, 2017

Exhibit 6

	Governmental Activities		
	Self-Insurance Fund	Tort Fund	Total
Operating Revenues			
Insurance reimbursements	\$ -	5,085	5,085
Premiums	8,383,834	-	8,383,834
Total Revenues	8,383,834	5,085	8,388,919
Operating Expenses			
Claims payments	7,723,758	116,624	7,840,382
Legal	-	220,123	220,123
Administrative	662,420	5,798	668,218
Total Operating Expenses	8,386,178	342,545	8,728,723
Operating Income (Loss)	(2,344)	(337,460)	(339,804)
Nonoperating Revenues (Expenses)			
Interest income	2,344	608	2,952
Net Nonoperating Revenue (Expenses)	2,344	608	2,952
Net Income (Loss) Before Capital Contributions, Special and Extraordinary Items and Transfers	-	(336,852)	(336,852)
Transfers in	-	213,877	213,877
Changes in Net Position	-	(122,975)	(122,975)
Net Position - Beginning	-	122,975	122,975
Net Position - Ending	\$ -	-	-

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

**HARRISON COUNTY, MISSISSIPPI**  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2017

Exhibit 7

	Governmental Activities		
	Self-Insurance Fund	Tort Fund	Total
Cash Flows from Operating Activities			
Receipts for insurance reimbursements	\$ -	5,085	5,085
Receipts for premiums	8,826,791	-	8,826,791
Payments for claims	(7,621,996)	(115,073)	(7,737,069)
Payments for operating expenses	(719,094)	(225,921)	(945,015)
Net Cash Provided by (Used in) Operating Activities	485,701	(335,909)	149,792
Cash Flows from Investing Activities			
Interest income	2,344	608	2,952
Net Cash Provided by (Used in) Investing Activities	2,344	608	2,952
Cash Flows from Non-Capital Financing Activities:			
Advances from (to) other funds	-	200,000	200,000
Net Cash Provided by (Used in) Non-Capital Financing Activities	-	200,000	200,000
Net Increase (Decrease) in Cash and Cash Equivalents	488,045	(135,301)	352,744
Cash and Cash Equivalents (Overdraft) at Beginning of Year	(392,861)	208,194	(184,667)
Total Cash and Cash Equivalents (Overdraft) at End of Year	\$ 95,184	72,893	168,077
Operating income (loss)	\$ (2,344)	(337,460)	(339,804)
Decrease in premium receivable	442,957	-	442,957
Increase in claims and judgments liability	45,088	1,551	46,639
Total adjustments	\$ 485,701	\$ (335,909)	\$ 149,792

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

**HARRISON COUNTY, MISSISSIPPI**

## Statement of Fiduciary Assets and Liabilities

September 30, 2017

Exhibit 8

	Agency Funds
<hr/>	
ASSETS	
Cash	\$ 3,029,228
Due from other funds	<u>101,845</u>
Total Assets	<u><u>\$ 3,131,073</u></u>
LIABILITIES	
Intergovernmental payables	\$ 301,050
Due to other funds	7,500
Amounts held in custody for others	<u>2,822,523</u>
Total Liabilities	<u><u>\$ 3,131,073</u></u>

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



## NOTES TO THE FINANCIAL STATEMENTS





HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

Harrison County is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Harrison County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

State law pertaining to County government provides for the independent election of County officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor
- Tax Collector
- Sheriff

B. Component Units

Blended Component Unit

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

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

Discretely Presented Component Units

The component units column in the financial statements includes the financial data of the following component units of the County. They are reported in a separate column to emphasize that they are legally separate from the County.

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

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(1) Summary of Significant Accounting Policies (Continued)

B. Component Units (Continued)

The Mississippi Coast Coliseum Commission came under the control of Harrison County on July 1, 2016 through state legislative action. The Mississippi Coast Coliseum Commission was originally a legally separate political subdivision and a component unit of the state of Mississippi. It was created in 1968 by Senate Bill 2406. The purpose of the Commission is to operate the Coliseum and supporting facilities for Harrison County, Mississippi. Harrison County appoints five of the seven voting commissioners and one nonvoting commissioner of the component unit. As an effort for consistency, the Coliseum has opted to change its fiscal year end from June 30 to September 30; and, therefore has elected to perform a 15-month audit for September 30, 2017.

**MISSISSIPPI COAST COLISEUM COMMISSION  
CONDENSED STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

**ASSETS AND DEFERRED OUTFLOWS**

Current assets	\$ 4,640,579
Restricted assets	7,000,000
Capital assets, net	110,114,911
Deferred outflows	<u>164,644</u>
Total assets and deferred outflows	<u>121,920,134</u>

**LIABILITIES AND DEFERRED INFLOWS**

Current liabilities	1,553,999
Noncurrent liabilities	6,178,891
Deferred inflows	<u>78,588</u>
Total liabilities and deferred inflows	<u>7,811,478</u>

**NET POSITION**

Invested in capital assets, net of related debt	106,915,577
Restricted	7,000,000
Unrestricted	<u>193,079</u>
Total net position	<u>114,108,656</u>
Total liabilities, deferred outflows and net position	<u>\$ 121,920,134</u>

**CONDENSED STATEMENT OF REVENUES AND EXPENSES  
AND CHANGES IN NET POSITION  
FOR 15-MONTH PERIOD ENDED SEPTEMBER 30, 2017**

Operating revenue	\$ 5,137,190
Operating expenses	(11,286,344)
Nonoperating revenues, net	<u>761,780</u>
Change in net position	<u>\$ (5,387,374)</u>

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(1) Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation

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

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government and component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues. The primary government is reported separately from its legally separate component units for which the primary government is financially accountable.

The Statement of Net Position presents the financial condition of the governmental activities of the County and its component units 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 governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, 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.

D. Measurement Focus and Basis of Accounting

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

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(1) Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

The County reports the following major Governmental Funds:

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

Roads Capital Projects Fund – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for County roads.

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

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(1) Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

E. Account Classifications

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

F. Deposits and Investments

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

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

G. Receivables

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

H. Interfund Transactions and Balances

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

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(1) Summary of Significant Accounting Policies (Continued)

I. Intragovernmental Transactions and Balances

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

J. Prepaid Items

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

K. Restricted Assets

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

L. Capital Assets

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental activities or component unit column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

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

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(1) Summary of Significant Accounting Policies (Continued)

The following schedule details those thresholds and estimated useful lives:

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

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

M. Deferred Outflows/Inflows of Resources

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

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

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

Deferred outflows related to pensions – This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 13 for additional details.

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

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(1) Summary of Significant Accounting Policies (Continued)

M. Deferred Outflows/Inflows of Resources (Continued)

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

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

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

Deferred inflows related to pensions – This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 13 for additional details.

N. Pensions

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

O. Long-term Liabilities

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

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

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



HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(1) Summary of Significant Accounting Policies (Continued)

P. Derivatives

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

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

Q. Equity Classifications

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

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

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(1) Summary of Significant Accounting Policies (Continued)

Q. Equity Classifications (Continued)

Fund Financial Statements:

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

Government fund balance is classified as nonspendable, restricted, committed, assigned 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.

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

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

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

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

Fund Balance Flow Assumption:

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

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(1) Summary of Significant Accounting Policies (Continued)

R. Property Tax Revenues

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

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

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

S. Intergovernmental Revenues in Governmental Funds

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

T. Compensated Absences

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

U. Change 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.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(2) Prior Period Adjustments/Restatement

A summary of the significant net position adjustment is as follows:

Exhibit 2 – Statement of Activities-Primary Government

Explanation	
Net adjustment of beginning capital assets	\$ 480,100
Total prior period adjustments	<u>\$ 480,100</u>

(3) Deposits and Investments

Deposits:

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). At September 30, 2017, deposits were as follows:

	Carrying Amount				Bank Balance
	Deposits with		Investments	Total	
	Financial Institutions		In Certificate of Deposits (less than 3 months maturity)	Cash and Cash Equivalents	
	Unrestricted	Restricted			
Primary Government:					
Governmental-type activities	\$ 14,304,097	-	57,321,414	71,625,511	74,560,700
Agency funds	3,029,228	-	-	3,029,228	3,144,147
Total Primary Government	<u>\$ 17,333,325</u>	<u>-</u>	<u>57,321,414</u>	<u>74,654,739</u>	<u>77,704,847</u>
Discretely Presented Component Units:					
Governmental-type activities					
Harrison County Development Commission	\$ 1,716,191	22,892	-	1,739,083	2,564,095
Business-type activities					
Harrison County Development Commission	729,159	-	-	729,159	716,539
Mississippi Coast Coliseum Commission	2,056,936	-	-	2,056,936	2,024,852
Total Discretely Presented Component Units	<u>\$ 4,502,286</u>	<u>22,892</u>	<u>-</u>	<u>4,525,178</u>	<u>5,305,486</u>

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

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(3) Deposits and Investments (Continued)

Investments:

Investment balances at September 30, 2017, are as follows:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less than 1	1-5	6-10	Over 10
Discretely Presented Component Units:					
<i>Governmental-type activities:</i>					
Harrison County Development Commission					
Certificates of deposits	\$ 3,395,639	3,395,639	-	-	-
<i>Business-type activities:</i>					
Harrison County Development Commission					
Certificates of deposits	295,016	295,016	-	-	-
Mississippi Coast Coliseum Commission:					
Certificates of deposits	1,215,428	620,000	359,059	236,369	-
Money market funds	862,307	862,307	-	-	-
Government National Mortgage Assoc.	294,971	-	1,752	177,795	115,424
Federal Home Loan Bank	3,732,376	249,625	1,503,357	1,979,394	-
Federal Home Loan Mortgage Corp	260,404	-	260,404	-	-
Federal National Mortgage Assoc.	990,971	-	-	6,207	984,764
Federal Farm Credit Bank	1,584,370	-	1,298,386	285,984	-
American Express Centurion	194,986	-	194,986	-	-
Total	<u>\$ 12,826,468</u>	<u>5,422,587</u>	<u>3,617,944</u>	<u>2,685,749</u>	<u>1,100,188</u>
Restricted Investments	\$ 7,000,000				
Unrestricted Investments	<u>5,826,468</u>				
Total	<u>\$ 12,826,468</u>				

**Interest Rate Risk** - The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year. However, pursuant to State Law, and in accordance with agreements between money managers, the Mississippi Coast Coliseum Commission has provided for investment of funds in accounts or securities, with various maturity dates.

**Credit Risk** - State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The County does not have a formal investment policy that would further limit its investments choice or one that address credit risk. The Mississippi Coast Coliseum Commission investments in U. S. Government agencies are rated AAA and Aaa, respectively.

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

**Concentration of credit risk** – GAAP requires disclosure when any one issuer is 5% or more of the investment portfolio. The Mississippi Coast Coliseum Commission 's concentration of credit risk at September 30, 2017 is as follows:

Federal Home Loan Bank	51%
Federal National Mortgage Association	11%
Federal Farm Credit Bank	17%

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(4) Accounts Receivable

Accounts receivable consists of the following at September 30, 2017:

	Receivables		Allowance	Net
	Accounts	Grants & Contributions	for Doubtful Accounts	Receivable
Primary Government:				
Governmental-type activities	\$ 333,603	-	-	333,603
Total Primary Government	<u>\$ 333,603</u>	<u>-</u>	<u>-</u>	<u>333,603</u>
Discretely Presented Component Units:				
Governmental-type activities				
Harrison County Development Commission	\$ 41,480	2,046,573	(26,316)	2,061,737
Business-type activities				-
Harrison County Development Commission	59,753	-	(5,364)	54,389
Mississippi Coast Coliseum Commission	256,505	-	-	256,505
Total Discretely Presented Component Units	<u>\$ 357,738</u>	<u>2,046,573</u>	<u>(31,680)</u>	<u>2,372,631</u>

(5) Interfund and Intragovernmental Transactions and Balances

A. Interfund Activity

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

*Due From/To Other Funds:*

Receivable Fund	Payable Fund	Amount
Roads Capital Projects Fund	General Fund	\$ 214,882
General County B & I Sinking Fund	General Fund	77,616
County Port B & I Sinking Fund	Other Governmental Funds	5,184,505
County Port B & I Sinking Fund	Agency Fund	7,500
Other Governmental Funds	General Fund	91,779
Agency Fund	General Fund	101,845
Total		<u>\$ 5,678,127</u>

The receivables represent the tax revenue collected but not settled 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.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(5) Interfund and Intragovernmental Transactions and Balances (Continued)

A. Interfund Activity (Continued)

*Transfers In/Out:*

Transfers In	Transfers Out	Amount
General Fund	Roads Capital Projects Fund	\$ 17,500
General Fund	Other Governmental Funds	3,719,303
General County B & I Sinking Fund	Other Governmental Funds	367
Other Governmental Funds	General Fund	286,402
Other Governmental Funds	Roads Capital Projects Fund	20,000
Other Governmental Funds	County Port B & I Sinking Fund	1,966,007
Internal Service Fund	General Fund	213,877
Total		<u>\$ 6,223,456</u>

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

B. Intragovernmental Activity

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

Receivable Agency	Payable Agency	Amount
Primary Government	Harrison County Development Commission	\$ 2,172,058
Total		<u>\$ 2,172,058</u>

These amounts represent accounts payable in the amount of \$1,965,081 by the County's discretely presented component unit, the Commission, owed to the county for construction projects reimbursed by grant revenues. Also included is debt with a principal remaining balance of \$206,977, the County acquired for the component unit. See Note 14 for details.

(6) Intergovernmental Receivables

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

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 1,075,858
Occupancy tax	352,953
Seawall tax	288,717
Gaming	264,334
Emergency assistance grants	1,185,774
State and community public safety grants	123,055
STP grants	57,390
Youth & Drug Courts	30,420
Mississippi Department of Transportation assistance	817
Various other grants	56,247
Total Governmental Activities	<u>\$ 3,435,565</u>

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(7) Loans Receivable

Loans receivable for balances for governmental activities at September 30, 2017, are as follows:

Description of Loan	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
West Harrison Water and Sewer	2/1/1998	N/A	N/A	\$ 15,000
East Central Harrison County Public Utility District	5/1/2009	6.00%	5/1/2024	47,128
Total				<u>\$ 62,128</u>

(8) Land Inventory

Land inventory of \$9,495,012 consists of parcels of land in the Harrison County Development Commission's industrial parks. The number of acres and approximate sales price per acre for each industrial park is as follows:

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

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

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



HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(9) Capital Assets

A. Primary Government

The following is a summary of capital assets activity for the year ended September 30, 2017:

	Balance Oct. 1, 2016*	Additions	Deletions/ Adjustments	Balance Sept. 30, 2017
Non-depreciable capital assets:				
Land	\$ 7,331,017	271,945	-	7,602,962
Construction in progress	14,020,911	2,702,697	(1,644,613)	15,078,995
Total non-depreciable capital assets	21,351,928	2,974,642	(1,644,613)	22,681,957
Depreciable capital assets:				
Buildings	96,173,531	-	1,552,615	97,726,146
Improvements other than buildings	46,929,015	-	60,083	46,989,098
Mobile equipment	27,222,072	2,972,750	(1,146,086)	29,048,736
Furniture & equipment	4,579,101	365,252	(210,736)	4,733,617
Infrastructure	116,401,030	-	-	116,401,030
Leased property under capital leases	2,159,869	281,292	(11,740)	2,429,421
Total depreciable capital assets	293,464,618	3,619,294	244,136	297,328,048
Less accumulated depreciation for:				
Buildings	26,175,134	1,887,352	-	28,062,486
Improvements other than buildings	26,095,224	1,506,374	-	27,601,598
Mobile equipment	22,676,176	1,148,385	(1,026,614)	22,797,947
Other furniture & equipment	3,549,903	366,416	(190,146)	3,726,173
Infrastructure	72,538,897	989,822	-	73,528,719
Leased property under capital leases	986,969	352,460	(10,566)	1,328,863
Total accumulated depreciation	152,022,303	6,250,809	(1,227,326)	157,045,786
Total depreciable capital assets, net	141,442,315	(2,631,515)	1,471,462	140,282,262
Governmental activities capital assets, net	\$ 162,794,243	343,127	(173,151)	162,964,219

\* As restated, see prior period adjusting entry

Depreciation was charged to the following functions:

General government	\$ 1,666,105
Public safety	1,663,437
Public works	2,548,705
Health & welfare	128,817
Culture & recreation	194,288
Conservation of natural resources	1,739
Economic development	47,718
Total primary government depreciation expense	<u>\$ 6,250,809</u>

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(9) Capital Assets (Continued)

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

Project Description	Remaining Financial Commitment	Expected date of completion
Boardwalk to West Biloxi Boat Ramp	\$ 48,290	December 2018
Energy Efficient Project	808,886	December 2017
2017 Beach Renourishment Project	149,573	April 2018
Tuxachanie Park Project	67,850	April 2019
Parkers Creek Boat Launch Project	77,182	December 2018
Biloxi River Park Project	52,350	February 2019
Biloxi River Boat Launch Project	22,000	February 2019

As of September 30, 2017, the County had the following commitments:

On August 10, 2016, the Harrison County Board of Supervisors entered into a pledge agreement with the City of Biloxi to finance the City's Tax Increment Limited Obligation Refunding Bonds which amended the previous Tax Pledge Agreement dated October 1, 2006. The original bonds were issued for a traffic flow and thoroughfare improvement plan project. The County pledged to provide annual payments equal to the lesser of (a) \$1,200,000 per year or (b) one-half the debt service on the City's Tax Increment Limited Obligation Bonds. The County's payments are paid annually from the revenues generated by tax increment financing.

On September 8, 1998, the Harrison County Board of Supervisors entered into a tax pledge agreement with the City of D'Iberville to finance the City's Tax Increment Limited Obligation Bonds for the purpose of financing the City's Interstate 110/Interstate 10 capital improvement project in the amount of \$1,135,000. The County pledged an amount sufficient to pay the principal and interest on the bond issue. The agreement was amended on July 7, 2003, to include the addition of \$3,200,000 in bonds. The County pledged an amount sufficient to pay the principal and interest on \$1,000,000 of the additional bonds. The County's payments are paid annually from the revenues generated by tax increment financing.

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

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(9) Capital Assets (Continued)

B. Discretely Presented Component Units

Below is a summary schedule of Capital Assets for Harrison County Development Commission and the Mississippi Coast Coliseum Commission for the year ended September 30, 2017:

	Discretely Presented Component Units			
	Governmental	Business-type Activities		
	Activities	Harrison	Mississippi	
	County	County	Coast	
	Development	Development	Coliseum	
	Commission	Commission	Commission	Total
Capital Assets:				
Land	\$ 709,430	-	8,921,072	9,630,502
Construction in progress	37,800	-	-	37,800
Buildings and improvements	3,906,996	-	136,129,720	140,036,716
Machinery and equipment	9,822,363	39,309	9,600,880	19,462,552
Water and sewer treatment plant	-	1,743,875	-	1,743,875
Site improvements and infrastructure	229,383	-	6,401,511	6,630,894
Less: accumulated depreciation	(4,576,842)	(869,794)	(50,938,272)	(56,384,908)
Total Capital Assets, Net	\$ 10,129,130	\$ 913,390	110,114,911	121,157,431

Depreciation Expense for Harrison County Development Commission is \$337,603 in the governmental activities and \$54,324 in the business type activities. Depreciation expense for the Mississippi Coast Coliseum Commission is \$4,524,050 for the business type activities.

(10) Claims and Judgments

**Risk Financing**

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$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.

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

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(10) Claims and Judgments (Continued)

The County has implemented the following plans to minimize this potential loss:

The County has purchased coinsurance which functions on specific stop loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$100,000.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At September 30, 2017, the amount of this liability was \$701,850.

An analysis of claims activities is presented below:

	Beginning of Fiscal Year Liability		Current Year Claims and Changes in Estimates		Claim Payments		Balance at Fiscal Year End
2014-2015	\$ 710,383	\$	8,168,394	\$	7,216,152	\$	1,662,625
2105-2016	1,662,625		7,433,769		8,046,771		1,049,623
2016-2017	1,049,623		7,375,985		7,723,758		701,850

**Tort Liability**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year the County purchased commercial insurance. In the last three years, settled claims have not exceeded commercial coverage; however, the County established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss.

Under the plan, amounts payable to the risk management fund are based on actuarial estimates. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At September 30, 2017, the amount of these liabilities was \$280,174.

	Beginning of Fiscal Year Liability		Current Year Claims and Changes in Estimates		Claim Payments		Balance at Fiscal Year End
2015-2016	\$ 237,179	\$	240,290	\$	269,275	\$	208,194
2016-2017	208,194		187,053		115,073		280,174

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(11) Capital Leases

On November 16, 2016 the County approved the master equipment lease/purchase agreement between Harrison County, Banc of America Public Capital Corp, and Bank of America, National Association to finance three projects: HVAC and Air Handler Piping Project in the amount of \$1,058,000; Election digital image scanners and equipment in the amount of \$337,535; and, Energy Efficiency Project in the amount of \$4,027,881 (of this amount \$3,218,995 has been spent, the remaining amount of \$808,886 will be spent in fiscal year 2018).

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

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 511,440
Furniture and equipment	1,917,981
Total	2,429,421
Less: accumulated depreciation	1,328,863
Leased property under capital leases	<u>\$ 1,100,558</u>

The following is a schedule by years of the total payments due as of September 30, 2017:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,135,393	\$ 93,100
2019	708,982	74,846
2020	692,687	62,576
2021	528,917	50,140
2022	428,005	40,422
2023-2027	1,687,933	101,053
	<u>\$ 5,181,917</u>	<u>\$ 422,137</u>

(12) Other Postemployment Benefits

Plan Description

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

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(12) Other Postemployment Benefits (Continued)

Funding Policy

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

Per Section 25-15-103, Mississippi Code Ann. (1972), any retired employee electing to purchase retiree health insurance must pay the full cost of the insurance premium monthly to the County. For the year ended September 30, 2017, retiree premiums range from \$486 to \$765 depending on dependent coverage and Medicare eligibility.

Actuarial Valuation

The County's Health Insurance Plan's Report of the Actuary on the Other Postemployment Benefits Valuation was prepared as of October 1, 2017. The plan has an actuarial valuation performed bi-annually in order to be in compliance with GASB Statement 45.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC was determined assuming the plan would fund the OPEB liability on a pay-as-you-go basis. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC of \$421,450 is 1.65 percent of annual covered payroll.

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for the fiscal year 2017:

Annual required contribution	\$ 421,450
Interest on prior year net OPEB obligation	81,654
Adjustment to annual required contribution	<u>(93,487)</u>
Annual OPEB cost	409,617
Contributions made	<u>58,269</u>
Increase in net OPEB obligation	351,348
Net OPEB obligation - Beginning of year	<u>1,814,532</u>
Net OPEB obligation - End of year	<u><u>\$ 2,165,880</u></u>

The following table provides for the County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2017:

	Annual OPEB Cost	Percentage of Annual	Net OPEB Obligation
2017	\$409,617	14.23%	\$2,165,880

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(12) Other Postemployment Benefits (Continued)

Funding Status and Funding Progress

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

Actuarial Valuation Date	October 1, 2017
Actuarial Value of Plan Assets	\$ -
Actuarial Accrued Liability (AAL) Entry Age Normal	3,252,778
Unfunded AAL (UAAL)	3,252,778
Funded Ratio	0.0%
Annual Covered Payroll	25,558,892
UAAL as a Percentage of Annual Covered Payroll	12.73%

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

Actuarial Methods and Assumptions

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

Additional information as of the latest actuarial valuation follows:

Actuarial Valuation Date -	October 1, 2017	Actuarial assumptions:	
Actuarial cost method -	Entry age normal	Investment rate of return*	4.50%
Amortization method -	Level percentage, closed basis	Projected salary increases **	2.00%
Remaining amortization period -	30 years	Healthcare cost trend rate*	5.00%
Asset valuation method -	N/A	Ultimate trend rate	5.00%
		Year of ultimate trend rate	2020

\*Includes inflation at 0%

\*\*Includes wage inflation at 2%

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(13) Retirement Plans

A. Defined Benefit Plan

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

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring.

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less.

Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits.

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

Contributions. At September 30, 2017, PERS members were required to contribute 9% of their annual covered salary, and the employers are required to contribute at an actuarially determined rate. The employer's rate at September 30, 2017, was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature.



HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(13) Retirement Plans (Continued)

A. Defined Benefit Plan

Contributions (employer share only) to PERS for the years ending September 30, 2017, 2016, and 2015, were as follows:

Year ended September 30	Primary Government	Component Units	
		Harrison Co. Development Commission	Mississippi Coast Coliseum Commission*
2017	\$ 5,126,684	\$ 82,056	\$ 239,974
2016	5,338,324	68,816	192,595
2015	4,996,050	60,862	191,973

\* Adopted a September 30 year end in 2017 resulting in a 15 month period.  
FY 2016 and 2015 show June 30 year end amounts.

**Net Pension Liability and Pension Expense**

At September 30, 2017, the County and its component units reported a liability for their proportionate share of the net pension liability as follows:

	Governmental- type Activities	Business-type Activities	Total
Net Pension Liability:			
Primary government	\$ 84,779,309	-	84,779,309
Total Net Pension Liability - Primary Government	\$ 84,779,309	-	84,779,309
Component Units:			
Harrison County Development Commission	\$ 1,124,603	71,783	1,196,386
Mississippi Coast Coliseum Commission	-	3,179,557	3,179,557
Total Net Pension Liability - Component Units	\$ 1,124,603	3,251,340	4,375,943

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. Both the County's and its component unit's proportion of the net pension liability was based on a projection of their respective long-term share of contributions to the pension plan relative to projected contributions of all participating entities, actuarially determined.

At June 30, 2017, the County's and its component units proportion was as follows:

	Percent	Increase (Decrease)
Primary government	0.510%	-
Component Units:		
Harrison County Development Commission	0.007%	-
Mississippi Coast Coliseum Commission	0.193%	-

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(13) Retirement Plans (Continued)

A. Defined Benefit Plan

For the year ended September 30, 2017, the County and its component units recognized pension expense as follows:

	Governmental- type Activities	Business-type Activities	Total
Pension Expense			
Primary government	\$ 9,945,828	-	9,945,828
Total Net Pension Expense - Primary Government	<u>\$ 9,945,828</u>	<u>-</u>	<u>9,945,828</u>
Component Units:			
Harrison County Development Commission	\$ 139,695	8,917	148,612
Mississippi Coast Coliseum Commission*	-	734,370	734,370
Total Net Pension Expense - Component Units	<u>\$ 139,695</u>	<u>743,287</u>	<u>882,982</u>

\* Adopted a September 30 Year End. Expense is for 15-month period.

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

At September 30, 2017, the County and its component units reported deferred outflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources Related to Pensions</i>				
	Component Units				
	Governmental Activities	Business-type Activities			
	Harrison	Harrison	Mississippi		
	County	County	Coast		
	Development	Development	Coliseum		
	Commission	Commission	Commission		
	Total			Total	
	Primary			Component	
	Government			Units	
Differences between expected and actual experience	\$ 1,218,008	\$ 16,157	1,030	45,900	\$ 63,087
Changes of assumptions	1,884,312	26,593	-	72,019	98,612
Changes in proportion and differences between employer's contributions and proportionate share of contributions	-	135,019	8,618	-	143,637
County contributions subsequent to the measurement date	1,378,092	24,617	1,571	46,725	72,913
Total	<u>\$ 4,480,412</u>	<u>\$ 202,386</u>	<u>11,219</u>	<u>164,644</u>	<u>\$ 378,249</u>

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(13) Retirement Plans (Continued)

A. Defined Benefit Plan

At September 30, 2017, the County and its component units reported deferred inflows of resources related to pensions from the following sources:

<i>Deferred Inflows of Resources Related to Pensions</i>					
	Governmental Activities		Component Units		Total Component Units
	Total Primary Government	Harrison County Development Commission	Harrison County Development Commission	Mississippi Coast Coliseum Commission	
Differences between expected and actual experience	\$ 618,610	\$ 8,206	524	49,973	\$ 58,703
Changes of assumptions	144,463	1,916	122	5,415	7,453
Net difference between projected and actual earnings on pension plan investments	1,088,503	14,439	922	23,200	38,561
Changes in proportion and differences between employer's contributions and proportionate share of contributions	385,900	8,995	574	-	9,569
Total	<u>\$ 2,237,476</u>	<u>\$ 33,556</u>	<u>2,142</u>	<u>78,588</u>	<u>\$ 114,286</u>

\$1,378,092 reported as deferred outflows of resources related to pensions in the primary government and \$72,913 reported as deferred outflows of resources relate to pensions in the component units resulting from 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,	Total Primary Government	Component Units		Total Component Units
		Harrison County Development Commission	Mississippi Coast Coliseum Commission	
2018	\$ 1,124,238	\$ 101,945	46,952	\$ 148,897
2019	1,304,618	63,608	50,877	114,485
2020	73,623	9,275	2,919	12,194
2021	(1,637,636)	(23,109)	(61,417)	(84,526)
Total	<u>\$ 864,843</u>	<u>\$ 151,719</u>	<u>39,331</u>	<u>\$ 191,050</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 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(13) Retirement Plans (Continued)

A. Defined Benefit Plan

The table for post-retirement mortality rates used in evaluating allowances to be paid was the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022 with male rates set forward one year. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the four-year period ending June 30, 2016. The experience report is dated April 18, 2017.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US 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	0.00
Total	100.00 %	

**Discount rate**

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

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(13) Retirement Plans (Continued)

A. Defined Benefit Plan

**Sensitivity of County's proportionate share of the net pension liability to changes in the discount rate**

The following table presents the proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the County and its component units proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.75 percent) or one percentage-point higher (8.75 percent) than the current rate:

<u>Proportionate Share of PERS</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75)</u>
Primary government	\$ 111,193,724	\$ 84,779,309	\$ 62,849,605
Harrison County Development Commission	1,569,140	1,196,386	885,919
Mississippi Coast Coliseum Commission	4,170,201	3,179,557	2,357,107

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

B. Deferred Compensation Plan

In addition to PERS, fulltime employees may also participate in a Section 457 deferred compensation plan funded through Mississippi Deferred Compensation. All contributions are made by the employees through salary deferral elections. Employees are permitted to make contributions up to the applicable Internal Revenue Code limits. Participants are fully vested in all contributions and earnings thereon. Participant's investments are self-directed from a list of funds provided. With respect to the Section 457 plan, the County and its component units have no unfunded pension liability or fiduciary responsibility.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(14) Long-term Debt

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

Description	Amount Outstanding	Interest Rate	Maturity Date
<b>Primary government:</b>			
A. General Obligation Bonds			
Special Obligation Refunding Bonds, Series 2008A-2	27,525,000	Variable	Oct-31
Special Obligation Refunding Bonds, Series 2008B	11,695,000	5.-5.5%	Oct-31
Special Obligation Refunding Bonds, Series 2008D	7,190,000	3.5-5.0%	Oct-28
Special Obligation Refunding Bonds, Series 2010A	29,265,000	5.0-5.25%	Jan-34
Special Obligation Refunding Bonds, Series 2010B	40,000,000	Variable	Sep-45
Special Obligation Refunding Bonds, Series 2010C	1,365,000	2.0-4.25%	Mar-30
General Obligation Industrial Development Bond, Series 2010D	1,020,000	1.75-6.05%	Mar-30
General Obligation Refunding Bonds, Series 2010E	1,685,000	3.60%	Dec-25
General Obligation Refunding Bonds, Series 2012A	405,000	2.0-3.0%	Apr-18
General Obligation Refunding Bonds, Series 2016B	12,925,000	4-5%	Oct-28
General Obligation Refunding Bonds, Series 2017A	6,477,000	1.95-2.25%	Mar-30
General Obligation Refunding Bonds, Series 2017B	5,671,000	2.27-3.40%	Mar-30
Total Bonds - primary government	<u>\$ 145,223,000</u>		
B. Capital Leases			
Hancock Bank copier lease	\$ 94,970	2.64%	Apr-18
Hancock Bank equipment lease	202,351	1.73%	Aug-18
Hancock Bank auto lease	511,440	1.67%	Feb-20
Bank of America - election equipment lease	198,115	1.49%	Nov-18
Bank of America - Gulfport HVAC lease	956,046	1.64%	Nov-21
Bank of America - energy efficiency lease	3,218,995	1.49%	Nov-27
Total Capital Leases - primary government	<u>\$ 5,181,917</u>		
C. Other Loans			
MDA Cap Loan 0303	\$ 103,489	3.00%	Nov-20
MDA Cap Loan 0304	103,488	3.00%	Nov-20
Total Other Loans - primary government	<u>\$ 206,977</u>		
<b>Component units:</b>			
D. Other Loans			
Harrison County Development Commission			
MDA - Innovation Center	\$ 146,082	3.00%	Nov-21
Mississippi Coast Coliseum Commission			
BancorpSouth Bank - land purchase	3,199,334	4.75%	Dec-19
Total Other Loans - component units	<u>\$ 3,345,416</u>		

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(14) Long-term Debt (Continued)

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

A. General Obligation Bonds Payable

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2018	\$ 7,313,000	\$ 5,880,477
2019	7,231,000	5,622,000
2020	7,572,000	5,362,598
2021	6,722,000	5,077,476
2022	7,011,000	4,827,123
2023-2027	37,651,000	19,967,352
2028-2032	26,758,000	13,019,401
2033-2037	13,915,000	8,646,226
2038-2042	18,010,000	4,803,678
2043-2045	13,040,000	748,523
Total	<u>\$ 145,223,000</u>	<u>\$ 73,954,854</u>

B. Capital Leases – See Note 11

C. Other Loans

Year Ending September 30	Other Loans	
	Principal	Interest
2018	\$ 61,366	\$ 5,184
2019	63,232	3,318
2020	65,156	1,396
2021	17,223	42
	<u>\$ 206,977</u>	<u>\$ 9,940</u>

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

D. Other Loans

Year Ending September 30	Other Loans	
	Principal	Interest
2018	\$ 228,990	\$ 141,860
2019	3,029,194	39,365
2020	30,756	2,852
2021	31,679	1,929
2022	24,797	979
	<u>\$ 3,345,416</u>	<u>\$ 186,985</u>

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(14) Long-term Debt (Continued)

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

	Balance Oct. 1, 2016	Additions	Reductions	Balance Sept. 30, 2017	Amount Due Within One Year
Primary government:					
Governmental Activities:					
Compensated absences	\$ 2,560,221	-	77,898	2,482,323	248,200
General obligation bonds	151,340,000	12,148,000	18,265,000	145,223,000	7,313,000
Capital leases	885,823	4,895,822	599,728	5,181,917	1,135,393
Other loans	267,446	-	60,469	206,977	61,366
Sub-total	155,053,490	17,043,822	19,003,095	153,094,217	8,757,959
Less:					
Deferred amounts on refundings	3,420,337	1,173,814	534,983	4,059,168	297,423
Add:					
Premium	4,415,289	-	345,676	4,069,613	516,387
Total primary government	\$ 156,048,442	15,870,008	18,813,788	153,104,662	8,976,923
Component units:					
Governmental Activities:					
Harrison County Development Commission					
Compensated absences	44,658	33,828	34,777	43,709	19,778
Other loans	174,227	-	28,145	146,082	28,990
Business-type Activities:					
Harrison County Development Commission					
Compensated absences	-	2,710	1,071	1,639	-
Mississippi Coast Coliseum Commission*					
Compensated absences	93,158	-	-	93,158	-
Other loans	3,200,000	-	666	3,199,334	200,000
Total component units	3,512,043	36,538	64,659	3,483,922	248,768

\* Mississippi Coast Coliseum reductions for a 15-month period

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

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever County issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2017, the amount of outstanding debt was equal to 6.62% of the latest property assessments.



HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(14) Long-term Debt (Continued)

Advance Bond Refunding – In June 2017 the County issued \$6,477,000 (2017A Series) and \$5,671,000 (2017B Series) in general obligation refunding bonds with an average interest rate of 1.95-2.25% and 2.27-3.4%, respectively, to partially refund the following outstanding bond issue:

Issue	Interest Rate	Amount Refunded
\$9.97M MDB Spec Obl Refund Bonds, Series 2010C	2.0-4.25%	\$ 5,845,000
\$7.885M MDB Taxable GO Ind Dev Bond, Series 2010D	1.75-6.05%	4,875,000

The County refunded the above bonds to reduce its total debt service payments over the next 13 years by almost \$672,587 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$602,938.

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

Mississippi Development Authority - Innovation Center - In November 2001, the City of Biloxi, Mississippi obtained a \$500,000 loan, bearing 3% interest, through the MDA for construction of an addition to the Innovation Center. Principal and interest payments are payable annually in the amount of \$33,608 through November 1, 2021. The principal and interest thereon are obligations of the City of Biloxi, Mississippi. However, the Harrison County Development Commission provides for repayment of the loan.

Intragovernmental Debt Transactions - In February 2000, Harrison County, Mississippi obtained two loans in the amount of \$500,000 each bearing 3% interest, through the Mississippi Development Authority (MDA) for improvements to the Biloxi Commerce Park (BCP). Principal and interest payments are payable monthly in the amount of \$2,773 on both loans through November 1, 2020. The principal and interest thereon are obligations of the County. However, the Commission provides for repayment of the loans. The principal balance of \$206,977 has been removed from the Commission's debt schedule and is included in Intragovernmental balances on the government-wide financial statements. See Note (5) for details.

(15) Deficit Fund Balances of Individual Funds

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

Fund	Deficit Amount
Drug Court Fund	\$ 41,312
Federal Grant Fund	169,412
Senior Companion Program Fund	9,891
Worthless Check Division Fund	1,841
Isaac Fund	434,326
Jail Repair Fund	4,174,092
Biloxi River Boat Launch Fund	8,642

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

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(16) Contingencies

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

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. 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 with the exception of the following.

On May 23, 2017, the Mississippi Court of Appeals rendered an opinion finding that resulted in the Harrison County Board of Supervisors approving an order to reimburse the Appellees in the amount of \$203,845 on April 2, 2018, as a final and complete settlement. Accordingly, the County has recorded a claims payable in this amount.

Mississippi Coast Coliseum Commission - The Commission is contingently liable under a contract with Aramark Sports and Entertainment Services, Inc. whereby Aramark purchases food service equipment and the Coliseum agrees to an early termination fee to the vendor's contract. If the Agreement for Aramark to provide food and beverages at the Mississippi Coast Coliseum is terminated by either party at any time for any reason prior to the expiration of the term, the Commission agrees to pay to Aramark a payment in the amount equal to the unamortized balance of the equipment as of the date of such termination.

On July 1, 2013, the Commission extended its contract with Aramark for an additional five-year term through June 30, 2018. The early termination fee balance on that date of \$192,580 was increased by \$200,000 for additional equipment to be purchased during the extended contract period. The adjusted early termination fee of \$392,580 is to be amortized over the 5 years of the extended contract. The early termination fee balance remaining at September 30, 2017 was \$58,887 and will be reduced over the remainder of the extended contract period.

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

No commitment debt is repaid only by the entities for which the debt was issued and includes debt that either bears the county's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the County other than possibly an agreement to assist creditors in exercising their rights in the event of default.

Harrison County and the Mississippi Transportation Commission (Mississippi Department of Transportation) entered into an Interlocal Cooperative Agreement, dated January 24, 2005 and amended October 15, 2005 which among other things allowed the County to provide funds necessary to the Commission (MDOT) for the construction of a Highway Project. The funds come from the \$102,000,000 Mississippi Development Bank Bonds, Series 2005 (Harrison County, Mississippi Highway Construction Project), \$9,490,000 Mississippi Development Bank Special Obligation Bonds, Series 2009A (Harrison County, Mississippi Highway Construction Project) and the \$63,295,000 Mississippi Development Bank Special Obligation Build America Bonds, Series 2009B (Harrison County, Mississippi Highway Construction Project – Direct Payment – Federally Taxable) dated August 26, 2009.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

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

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

The total amount outstanding as of September 30, 2017, is as follows:

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

(18) Effect of Deferred Amounts on Net Position

A. Primary Government

The governmental activities' unrestricted net position amount of \$(109,082,684) 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 \$1,378,092 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, 2017. The \$3,102,320 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next 4 years. The \$2,237,476 balance of the deferred inflow of resources related to pension at September 30, 2017, will be recognized in pension expense over the next 5 years.

The governmental activities' unrestricted net position amount of \$ \$(109,082,684) includes the effect of deferring the recognition of expenditures resulting from an advance refunding of County non-capital debt. \$138,058 of the \$4,059,168 balance of deferred outflows of resources at September 30, 2017, will be recognized as an expense and will decrease the unrestricted net position over the next 15 years.

The governmental activities' net investment in capital assets net position of \$83,975,394 includes the effect of deferring the recognition of expenditures resulting for an advance refunding of County debt. \$396,930 of the \$4,059,168 balance of deferred outflows of resources at September 30, 2017, will be recognized as an expense and will decrease the net investment in capital assets net position over the next 13 years.

B. Component units

The component units unrestricted net position amount of \$14,894,041 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 \$72,913 resulting from Commissions' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. The \$305,336 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next 4 years. The \$114,286 balance of the deferred inflow of resources related to pension at September 30, 2017, will be recognized in pension expense over the next 5 years.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(19) Joint Ventures

The County participates in the following joint ventures:

Harrison County is a participant with the Cities of Gulfport, Biloxi, Pass Christian, D'Iberville and Bay St. Louis in a joint venture, authorized by Section 39-3-8, Miss. Code Ann. (1972), to operate Harrison County Library System. The joint venture was created to furnish Harrison County and the cities within Harrison County with library service and is governed by a board consisting of five members, with each entity appointing one member. By contractual agreement, the County's appropriation to the joint venture was \$875,000 in fiscal year 2017. Complete financial statements for the Harrison County Library can be obtained from the Gulfport branch located at 1300 21<sup>st</sup> Avenue, Gulfport, Mississippi.

Harrison County is a participant with the Cities of Gulfport, Biloxi, Pass Christian, D'Iberville and Bay St. Louis in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Harrison Utility Authority. The joint venture was created to handle and dispose of solid waste within the County and the aforementioned cities and is governed by a board consisting of six members, with each entity appointing one member. The County's appropriation to the joint venture was \$3,453,903 for solid waste and wastewater treatment services in fiscal year 2017. Complete financial statements for the Harrison County Utility Authority can be obtained from 10271 Express Drive, Gulfport, Mississippi, 39503.

Harrison County is a participant with the City of Gulfport in a joint venture, authorized by Section 41-13-15, Miss. Code Ann. (1972), to operate the Memorial Hospital at Gulfport. The joint venture was created to provide medical services for the residents of the metropolitan area and is governed by a board consisting of five members, with each entity appointing two members and the fifth member appointed alternately by the City and the County.

While the hospital is basically self-supporting, the City and the County both approve the budget and both may issue debt for the hospital. Complete financial statements for the Memorial Hospital at Gulfport can be obtained from P.O. Box 1810, Gulfport Mississippi, 39501.

Harrison County is a participant with the City of Gulfport and Biloxi in a joint venture, authorized by Section 61-3-7, Miss. Code Ann. (1972), to operate the Gulfport-Biloxi Regional Airport Authority. The joint venture was created to provide the Gulfport-Biloxi metropolitan area with air passenger and air freight facilities and is governed by a board consisting of three members, with each entity appointing one member. The Harrison County Board of Supervisors appoints one of the three members of the commission. The County did not appropriate to the joint venture in fiscal year 2017. Complete financial statements for the Gulfport-Biloxi Regional Airport Authority can be obtained from P.O. Box 2127, Gulfport, Mississippi, 39501.

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

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(20) Jointly Governed Organizations

The County participates in the following jointly governed organizations:

The Gulf Coast Mental Health and Mental Retardation operates in a district of the counties of Hancock, Harrison, Pearl River and Stone. The governing body is a four-member board of commissioners, one appointed by the Board of Supervisors of each of the member counties. The County appropriated \$1,180,545 for the support of the agency in fiscal year ending September 30, 2017.

Southern Mississippi Planning and Development District operates in a district composed of the counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Stone and Wayne. The Harrison County Board of Supervisors appoints one of the 27 members of the board of directors. The County appropriated \$0 for the support of the agency in the fiscal year ended September 30, 2017.

Mississippi Gulf Coast Community College operates in a district composed of the Counties of George, Harrison, Jackson and Stone. The college's board of trustees is composed of 23 members, three each appointed by George and Stone Counties, eight each appointed by Harrison and Jackson Counties, and one appointed at large. The County appropriated \$10,123,574 for maintenance and support of the college 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 \$21,165 for support of the district in fiscal year 2017.

Gulf Coast Community Action Agency operates in the Counties of George, Greene, Harrison and Hancock. The agency's board is composed of 24 members, one each appointed by the Counties of George, Greene, Harrison and Hancock, and the Cities of Bay St. Louis, Biloxi, Gulfport and Pass Christian, with the remaining 16 appointed by the private sector. Most of the entity's funding comes through federal grants and the member governments provides only a modest amount of financial support when the grants require matching funds. The County provided no financial support in fiscal year 2017.

Mississippi Coast Transportation Authority operates along the Mississippi Gulf Coast. The authority is composed of the following six members: Harrison County and the cities of Bay St. Louis, Biloxi, Gulfport, Ocean Springs and Pass Christian. The authority's board is composed of nine members, two each appointed by Harrison County and the Cities of Biloxi and Gulfport and one each appointed by the Cities of Ocean Springs, Bay St. Louis and Pass Christian. The County appropriated \$403,068 for the support of the agency in the fiscal year ending September 30, 2017.

Harrison-Jackson County Emergency Medical Service District operates in a district composed of Counties of Harrison and Jackson and the Cities of Biloxi, Gulfport and Ocean Springs. The district's board is composed of five members, one each appointed by each government. The County provided no financial support in fiscal year 2017.

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

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The counties generally provide no financial support to the organization.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(21) Derivatives and Interest Rate Swaps

*Objectives of hedging derivative instruments:* The County has entered into interest rate swaps to manage interest costs related to long-term debt. The following table summarizes the key terms and general information of the effective hedging interest rate swaps outstanding as of September 30, 2017:

Item	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value
A	Pay fixed interest rate swap	Hedge changes in cash flows on Series 2010B	\$ 40,000,000	1/2/2010	1/2/2045	Pay 4.365%, receive 70% of LIBOR	\$ (20,746,602)
B	Pay fixed interest rate swap	Hedge changes in cash flows on Series 2008-A2	27,525,000	10/1/2010	10/1/2031	Pay 2.64%, receive 70% of LIBOR	(1,983,753)
C	Pay fixed interest rate swap	Hedge changes in cash flows on Series 2008B	12,305,000	10/9/2008	10/1/2031	Pay 4.301%, receive variable rate of LIBOR	(1,846,708)

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

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

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

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

On January 20, 2010, the parties to the 2006 Swap Agreement executed a Revised Agreement in connection with the “February 2005 Bonds Novated Confirmation”, which was executed at the option of the County to revise Confirmation dated February 28, 2008 between the parties under the 2006 GO Bonds Swap Agreement concerning the February 2005 Bonds. The February 2005 Bonds

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(21) Derivatives and Interest Rate Swaps (Continued)

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

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

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

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

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

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

The 2008B Bonds Confirmation has an original notional amount of \$16,365,000, which is equal to the outstanding principal amount of the 2008B Bonds as of the effective date of October 9, 2008, and terminates October 1, 2031. The notional amount declines as the principal amount of the associated debt declines. As of September 30, 2017, the total outstanding principal balance is \$12,305,000. An early termination of this swap transaction may result in the County making or receiving a termination payment based on the prevailing market interest rates at the time of such termination.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(21) Derivatives and Interest Rate Swaps (Continued)

Risks Associated with the Swap Agreements:

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

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

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

As of September 30, 2017, the County has no net exposure to actual credit risk on its derivatives because the total exposure to each counterparty is a liability to the County. The County does not measure theoretical exposure on its derivative portfolio.

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

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

Each outstanding swap agreement is with a counterparty that met the required rating as of September 30, 2017.

The table below shows each counterparty rating as of September 30, 2017:

<u>Counterparty</u>	<u>Moody's Rating</u>	<u>S&amp;P</u>
Deutsche Bank AG	A3	BBB+
Bank of America NA	A1	A

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

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



HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(21) Derivatives and Interest Rate Swaps (Continued)

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

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

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

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

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

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

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

(22) Tax Abatements

As of September 30, 2017, the County provides tax abatements and exemptions through three programs –Tax Incentives for Economic Development and Residential Improvement Program, Industrial Exemption Program and Free Port Warehouse Exemption Program.

- The Tax Incentives for Economic Development and Residential Improvement Program provides property tax abatements of city and county real property taxes to encourage economic development and facilitate reconstruction and redevelopment of certain businesses and residential property within the municipalities of the County. School taxes are not exempt. Miss. Code Ann. § 17-21-7 (Rev. 2003) provides that the Board of Supervisors may “in its discretion, exempt from any or all county ad valorem taxes, excluding ad valorem taxes for school district purposes, for a period of not more than seven

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(22) Tax Abatements (Continued)

(7) years, any privately owned new structures and any new renovations of and improvements to existing structures where an exemption has been granted by the municipality in accordance with provisions of state law.”

Property owners will make an application for abatement by submitting documentation to substantiate the qualifying investment with the municipality pursuant to an economic recovery or redevelopment plan of the municipality. The abatement agreement stipulate a percentage reduction of property taxes, which can be as much as 100%. The municipality will then pass a resolution granting the exemption once an application has been approved and all requirements have been met. The Board of Supervisors can then choose to abate the county ad valorem tax based on the municipality’s recommendation and resolution. The amount of the abatement is deducted from the recipient’s tax bill.

- The Industrial Exemption Program allows an exemption for up to ten (10) years from property taxes on land and building and equipment to encourage economic development within the municipality and county. School taxes are not exempt. Miss. Code Ann. §27-31-101 and §27-31-105 provides that “any person, firm, or corporation who owns or operates a new manufacturing or other enterprise of public utility or who completes a new enterprise or who makes additions to or expansions of the facilities or properties or replaces equipment used in connection with or necessary to the operation of such enterprise may be granted an exemption from ad valorem taxation, except state ad valorem taxation, upon each addition to or expansion of the facility or property or replacement of equipment.” The time of the exemption shall commence from the date of completion of the additions, expansions or replacements.

Eligible businesses include manufacturers, processors, research and development facilities, refineries, warehouse and distribution facilities, data and information processing companies and telecommunications and technology intensive industries. In order to obtain the exemption, the business must file an application with the governing authorities of the municipality or the county board of supervisors on or before June 1 of the year following the year of completion of the new enterprise or completion of the new expansion or addition. The application should provide complete itemized listing of the proposed property to be exempted showing the true value and the date from which the exemption is claimed. The application, with the resolution of approval from the municipality and county shall be forwarded to the Mississippi Department of Revenue within thirty (30) days from the date of the resolution. The department will investigate matter and determine whether the property is eligible for the exemption and will then notify the governing authorities of its determination. The amount of the exemption reduces the property’s assessed value that taxes are calculated on.

- The Free Port Warehouse Exemption Program provides an exemption from ad valorem personal property taxes paid on finished goods inventories that leave the state. The exemption may be for all property taxes and may be perpetual. Miss. Code Ann. §27-31-53 provides that “all personal property in transit through the state which was consigned or transferred to a licensed ‘free port warehouse’, public or private, within the state for storage in transit to a final destination outside of the state, may, in the discretion of the board of supervisors of the county where the warehouse or storage facility is located, and in the discretion of the governing authorities of the municipality where the warehouse or storage

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(22) Tax Abatements (Continued)

facility is located, be exempt from all ad valorem taxes imposed by the respective county or municipality and the property exempted.”

Free Port Tax Exemption licenses are granted the year prior to the actual exemption. An exemption granted is effective as of the first calendar day of the taxable year in which the warehouse applied for the exemption by the submission of an application for license. The exemption shall remain in effect as such time as the governing authority may prescribe. The amount of the exemption reduces the property’s assessed value that taxes are calculated on. At the end of each calendar year, each licensee shall calculate the actual percentage of all personal property consigned or transferred to the warehouse or storage facility which was shipped to a final destination outside the state in relation to the total of all such personal property shipped to any destination during the year. This percentage will then be applied to the total value of all property contained in the inventory of the warehouse or storage facility as of January 1 of the year which was consigned or transferred to such warehouse or storage facility. If the result is less than the value of property for which the exemption was allowed, then the amount of the difference shall be deducted from the amount of the exemption previously allowed and taxes shall be levied and collected by the tax collecting authorities.

The following table reflects the amount of ad valorem taxes that were abated or exempted for the year ended September 30, 2017:

Program	Ad valorem taxes Abated/Exempted
Tax Incentives for Economic Development and Residential Improvement	\$ 761,891
Industrial Exemption – Real property	216,845
Industrial Exemption – Personal property	233,021
Free Port Warehouse	261,056

The County also participates with the City of Biloxi and the City of D’Iberville in Tax Increment Financing for economic development within those cities. A small, geographic area, the TIF district, is designated for subsidized development. The property values go up as a result of the development and the increase in tax revenues over the base amount is what the County has elected to contribute to pay the debt service on the TIF bonds issued.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

(22) Tax Abatements (Continued)

The following table reflects the amount of ad valorem taxes abated or offset for the year ended September 30, 2017:

City	TIF Issue	Terms of TIF agreement	Amount of Taxes Allocated for
City of Biloxi	2016 Refunding TIF	County will match 42% of debt payments with increase in ad valorem and personal property within TIF district	1,073,778
City of Biloxi	Margaritaville TIF	County will forgo 50% of increase in ad valorem and personal property tax within TIF district	7,346
Total City of Biloxi			1,081,124
City of D'Iberville	1999 Lowes TIF	County will forgo increase in ad valorem and personal property tax within TIF district	121,895
City of D'Iberville	2004 Wal-Mart TIF	County will match debt payments up to \$1,000,000 with increase in ad valorem and personal property tax	100,055
City of D'Iberville	Promenade TIF	County will forgo 50% of increase in ad valorem and personal property tax within TIF district	191,915
Total City of D'Iberville			413,865
Total ad valorem forgone for TIF debt payments			1,494,989

(23) Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the County evaluated the activity of the County through June 5, 2018, (the date the financial statements were available to be issued) and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2017, the County entered into the following commitment:

On December 4, 2017 the County passed a resolution completing the sale of Memorial Behavioral Health Services assets to Universal Health Services. Memorial Behavioral Health Services is a part of Memorial Hospital at Gulfport, a joint venture of the County.

## REQUIRED SUPPLEMENTARY INFORMATION



**HARRISON COUNTY, MISSISSIPPI**

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

## General Fund

For the Year Ended September 30, 2017

UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$43,772,601	\$46,084,754	\$46,084,754	-
Licenses, commissions and other revenue	2,986,500	4,079,049	4,079,049	-
Fines and forfeitures	1,390,600	1,248,501	1,248,501	-
Intergovernmental revenues	7,445,860	8,013,790	8,013,790	-
Charges for services	1,500,000	2,980,042	2,980,042	-
Interest income	636,200	187,701	187,701	-
Miscellaneous revenues	1,039,750	1,203,812	1,203,812	-
Total Revenues	<u>58,771,511</u>	<u>63,797,649</u>	<u>63,797,649</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
General government	33,125,903	32,101,182	32,100,266	916
Public safety	25,744,439	25,766,609	25,766,406	203
Public works	55,102	51,593	51,521	72
Health and welfare	4,556,707	4,416,462	4,416,194	268
Culture and recreation	2,166,726	2,890,277	2,890,051	226
Conservation of natural resources	186,029	432,002	432,001	1
Economic development and assistance	530,051	509,125	509,112	13
Debt service	1,439,531	1,049,810	1,049,807	3
Total Expenditures	<u>67,804,488</u>	<u>67,217,060</u>	<u>67,215,358</u>	<u>1,702</u>
Excess of Revenues over/(under) Expenditures	<u>(9,032,977)</u>	<u>(3,419,411)</u>	<u>(3,417,709)</u>	<u>1,702</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital lease financing	5,704,708	4,895,822	4,895,822	-
Transfers in	3,305,000	3,305,000	3,305,000	-
Transfers out	-	(1,092,859)	(1,092,859)	-
Total Other Financing Sources and Uses	<u>9,009,708</u>	<u>7,107,963</u>	<u>7,107,963</u>	<u>-</u>
Net Changes in Fund Balances	(23,269)	3,688,552	3,690,254	1,702
Fund Balances - Beginning	<u>5,206,665</u>	<u>(4,247,529)</u>	<u>12,433,854</u>	<u>16,681,383</u>
Fund Balances - Ending	<u>\$ 5,183,396</u>	<u>(558,977)</u>	<u>16,124,108</u>	<u>16,683,085</u>

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

**HARRISON COUNTY, MISSISSIPPI**  
Notes to the Required Supplementary Information-Budgetary Schedules  
For the Year Ended September 30, 2017  
UNAUDITED

Budgetary Comparison Schedule

A. Budgetary Information

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

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

B. Basis of Presentation

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

C. Budget/GAAP Reconciliation

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

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

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

	General Fund
Budget (Cash Basis)	\$ 16,124,018
Increase (Decrease)	
Net adjustments for revenues	1,816,380
Net adjustments for expenditures	<u>2,233,314</u>
GAAP Basis	<u>\$ 20,173,712</u>



HARRISON COUNTY, MISSISSIPPI  
Schedule of Funding Progress – Other Postemployment Benefits  
September 30, 2017

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b-a)	Percent Funded (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Annual Covered Payroll ((b-a)/c)
October 1, 2017	\$ -	\$ 3,252,778	\$ 3,252,778	0.00%	\$ 25,558,892	12.73%
October 1, 2015	\$ -	\$ 2,764,922	\$ 2,764,922	0.00%	\$ 26,663,468	10.37%
October 1, 2013	\$ -	\$ 2,114,796	\$ 2,114,796	0.00%	\$ 29,377,589	7.20%

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

HARRISON COUNTY, MISSISSIPPI  
Schedule of the County's Proportionate Share of the Net Pension Liability  
Last 10 Fiscal Years\*  
For the Year Ended September 30, 2017

	2017	2016	2015	2014
County's proportion of the net pension liability (asset)	0.51%	0.51%	0.50%	0.49%
County's proportionate share of the net pension liability (asset)	\$ 84,779,309	\$ 91,098,735	\$ 78,835,943	N/A
County's covered payroll	\$ 32,688,876	\$ 32,457,987	\$ 31,598,679	\$ 31,761,378
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	259.35%	280.67%	249.96%	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 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

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

HARRISON COUNTY, MISSISSIPPI  
Schedule of the County's Contributions  
Last 10 Fiscal Years\*  
For the Year Ended September 30, 2017

	2017	2016	2015
Contractually required contribution	\$ 5,126,684	\$ 5,338,324	\$ 4,996,050
Contributions in relation to the contractually required contribution	<u>\$ 5,126,684</u>	<u>\$ 5,338,324</u>	<u>\$ 4,996,050</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$32,550,375	\$33,894,121	\$31,720,952
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.

HARRISON COUNTY, MISSISSIPPI  
Notes to the Required Supplementary Information- Pension Schedules  
For the Year Ended September 30, 2017  
UNAUDITED

Pension Schedules

A. 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 reduced 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 the 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%.

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.

B. 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



**HARRISON COUNTY, MISSISSIPPI**  
**Schedule of the Expenditures of Federal Awards**  
**For the Year Ended September 30, 2017**

Federal Grantor/ Passed-through Grantor Program Title or Cluster	Federal CFDA Number	Passed through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture – Office of Food and Nutrition Service Passed through the South Mississippi Planning and Development District Child and Adult Care Food Program	10.558	N/A	\$ 45,531
Passed through the Mississippi State Treasurer's Office Schools and Roads – Grants to States	10.665		62,737
Total U. S. Department of Agriculture			<u>108,268</u>
U.S. Department of Commerce Investments for Public Works and Economic Development Facilities Passed through the Mississippi Department of Environmental Quality Coastal Zone Management Administration Awards	11.300	04-01-07048	238,193
Coastal Zone Management Administration Awards	11.419	SW1066	23,185
Coastal Zone Management Administration Awards	11.419	SW1112	6,785
Coastal Zone Management Administration Awards	11.419	SWC499	70,000
Sub-total			<u>99,970</u>
Total U.S. Department of Commerce			<u>338,163</u>
U.S. Department of Housing and Urban Development Passed through the City of Gulfport, Mississippi HOME Investment Partnership Program	14.239	M-14-DC-280200	85,062
HOME Investment Partnership Program	14.239	M-15-DC-280200	593
HOME Investment Partnership Program	14.239	M-16-DC-280200	29,345
Sub-total			<u>115,000</u>
Total U.S. Department of Housing and Urban Development			<u>115,000</u>
U.S. Department of Interior Payments in Lieu of Taxes	15.226		69,113
Passed through the Mississippi Department of Marine Resources Coastal Impact Assistance Program*	15.668		579,084
Coastal Impact Assistance Program*	15.668	F12AF70006	44,554
Coastal Impact Assistance Program*	15.668	F12AF70191	210,044
Coastal Impact Assistance Program*	15.668	F12AF01206	1,077,115
Sub-total			<u>1,910,797</u>
Total U.S. Department of Interior			<u>1,979,910</u>
U.S. Department of Justice – Office of Justice Programs National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2014-DN-BX-K077	47,613
Passed through the Mississippi Department of Public Safety Violence Against Women Formula Grants	16.588	15SP1241	23,924
Sub-total			<u>23,924</u>
U.S. Department of Justice – Office of Justice Programs/ Passed through the Mississippi Department of Public Safety Edward Byrne Memorial Justice Assistance Grant	16.738	15-DC-1241	12,364
Edward Byrne Memorial Justice Assistance Grant	16.738	16-DC-1241	40,899
Passed through the City of Gulfport, Mississippi Edward Byrne Memorial Justice Assistance Grant	16.738	2016-DJ-BX-0622	13,874
Sub-total			<u>67,137</u>
Equitable Sharing Program**	16.922	N/A	640,149
Total U.S. Department of Justice			<u>778,823</u>
U.S. Department of Transportation – Federal Highway Administration/ Passed through Mississippi Department of Transportation Highway Planning and Construction Grant	20.205	STP-0024-00(049)	817
Highway Planning and Construction Grant	20.205	STP-0024-00(050)	40,395
Sub-total			<u>41,212</u>
Passed through the Mississippi Department of Public Safety State and Community Highway Safety	20.600	OP-2017-OP-12-41	44,148
Total U.S. Department of Transportation			<u>85,360</u>

*Continued next page*

**HARRISON COUNTY, MISSISSIPPI**  
**Schedule of the Expenditures of Federal Awards**  
**For the Year Ended September 30, 2017**

Federal Grantor/ Passed-through Grantor Program Title or Cluster	Federal CFDA Number	Passed through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through the Mississippi Department of Public Safety			
Education Research, Development and Dissemination Grant	84.305	17CA1241	1,000
Total U.S. Department of Education			<u>1,000</u>
U.S. Department of Health and Human Services			
Passed through the South Mississippi Planning and Development District			
Special Programs for the Aging-Title III, Part B-Grants for Supportive	93.044	N/A	21,336
Services and Senior Centers	93.667	N/A	34,839
Social Services Block Grant			<u>56,175</u>
Total U.S. Department of Health and Human Services			
Corporation for National and Community Service			
Retired and Senior Volunteer Program	94.002	2016-OPEI-P74-OPO-22221-4101	28,983
Retired and Senior Volunteer Program	94.002	2017-OPEI-P74-OPO-22221-4101	32,153
Sub-total			<u>61,136</u>
Senior Companion Program	94.016	14SCSMS002	39,132
Senior Companion Program	94.016	17SCSMS003	146,030
Sub-total			<u>185,162</u>
Total Corporation for National and Community Service			<u>246,298</u>
Executive Office of the President			
High Intensity Drug Trafficking Area	95.001	G16GC0003A	81,839
High Intensity Drug Trafficking Area	95.001	G17GC0003A	13,399
Total Executive Office of the President			<u>95,238</u>
U.S. Department of Homeland Security			
Emergency Management Performance Grants	97.042	N/A	140,102
Sub-total			<u>140,102</u>
Homeland Security Grant Program	97.067	16LE024	40,000
Homeland Security Grant Program	97.067	S16LE024	40,000
Homeland Security Grant Program	97.067	15HS024T	4,642
Homeland Security Grant Program	97.067	16HS024T	3,831
Sub-total			<u>88,473</u>
Total U.S. Department of Homeland Security			<u>228,575</u>
Total Expenditures of Federal Awards			<u>\$ 4,032,810</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Notes A – Significant Accounting Policies**

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

\*Denotes major federal award program

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



## OTHER INFORMATION



HARRISON COUNTY, MISSISSIPPI  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2017  
UNAUDITED

Name	Position	Company	Amount
Beverly Martin	Supervisor District 1	Fidelity and Deposit Company	\$100,000
Angel Kibler-Middleton	Supervisor District 2	Fidelity and Deposit Company	\$100,000
Marlin Roger Ladner	Supervisor District 3	Fidelity and Deposit Company	\$100,000
Kent Jones	Supervisor District 4	Fidelity and Deposit Company	\$100,000
Connie M. Rocko	Supervisor District 5	Fidelity and Deposit Company	\$100,000
Pamela Ulrich	County Administrator	Fidelity and Deposit Company	\$100,000
John McAdams	Chancery Clerk	Hartford Fire Insurance Company	\$100,000
Jennifer Bell	Comptroller	Fidelity and Deposit Company	\$100,000
Jody Webster	Purchase Clerk	Fidelity and Deposit Company	\$75,000
Lisa Nelson	Assistant Purchase Clerk	Fidelity and Deposit Company	\$50,000
LaSonya R. Plainer	Assistant Purchase Clerk	Fidelity and Deposit Company	\$50,000
Shannon D. Carnes	Receiving Clerk	Fidelity and Deposit Company	\$75,000
Claudine Forbes	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Elizabeth Tiblier	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Dana Williams	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Gloria Davis	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Blaine Tiblier	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Karen Adams	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Rhonda Haynes	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Margaret Hosli	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Tommy Allen	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Beth Rushing	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Regina Scarborough	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Paula Robinson	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Pete Harper	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Cindy Simmons	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Yolanda Lewis	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Brenda Barefoot	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Kathy Rogers	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Tina Moss	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
April Jacobs	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Susan Wildin	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Lori Roberts	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Kelly Henderson	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Danny Boudreaux	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Joseph Spires	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Andy Mosely	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Kristy Bankston	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Edmond Pujol	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Michelle Watts	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Donna Matthews	Assistant Receiving Clerk	Fidelity and Deposit Company	\$50,000
Jennifer Labega	Inventory Control Clerk	Fidelity and Deposit Company	\$75,000
W. Russell Weatherly	Road Manager	Fidelity and Deposit Company	\$50,000
James Morgan	Constable - District 1	Ohio Casualty Insurance Company	\$50,000
Paul Johnson	Constable - District 2	Fidelity and Deposit Company	\$50,000
Alan Weatherford	Constable - District 3	Fidelity and Deposit Company	\$50,000
Sammie Taylor	Constable - District 4	Fidelity and Deposit Company	\$50,000
Jeffrey Miguez	Constable - District 5	Fidelity and Deposit Company	\$50,000
Connie Ladner	Circuit Clerk	Fidelity and Deposit Company	\$100,000
Michelle Carden	Deputy Circuit Clerk	Fidelity and Deposit Company	\$50,000
Clementine Carney	Deputy Circuit Clerk	Fidelity and Deposit Company	\$50,000
April Davis	Deputy Circuit Clerk	Fidelity and Deposit Company	\$50,000

*Continued next page*

HARRISON COUNTY, MISSISSIPPI  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2017  
UNAUDITED

Name	Position	Company	Amount
Reagan Feeley	Deputy Circuit Clerk	Fidelity and Deposit Company	\$50,000
Leigh Ann Foster	Deputy Circuit Clerk	Fidelity and Deposit Company	\$50,000
Coleen Guardanapo	Deputy Circuit Clerk	Fidelity and Deposit Company	\$50,000
Peggy Harvey	Deputy Circuit Clerk	Fidelity and Deposit Company	\$50,000
Christie Kessler	Deputy Circuit Clerk	Fidelity and Deposit Company	\$50,000
Stewart Lee	Deputy Circuit Clerk	Fidelity and Deposit Company	\$50,000
Paige Miller	Deputy Circuit Clerk	Fidelity and Deposit Company	\$50,000
Jill Moran	Deputy Circuit Clerk	Fidelity and Deposit Company	\$50,000
Jillian Necaise	Deputy Circuit Clerk	Fidelity and Deposit Company	\$50,000
Marie Niolet	Deputy Circuit Clerk	Fidelity and Deposit Company	\$50,000
Lisa St. Martin	Deputy Circuit Clerk	Fidelity and Deposit Company	\$50,000
Barry Pickreign	Deputy Circuit Clerk	Fidelity and Deposit Company	\$50,000
Kamisha Perrin	Deputy Circuit Clerk	Fidelity and Deposit Company	\$50,000
Cherie Pringle	Deputy Circuit Clerk	Fidelity and Deposit Company	\$50,000
Stephanie Ritter	Deputy Circuit Clerk	Fidelity and Deposit Company	\$50,000
Patricia Skinner	Deputy Circuit Clerk	Fidelity and Deposit Company	\$50,000
Jennifer Smith	Deputy Circuit Clerk	Fidelity and Deposit Company	\$50,000
Erica Statzer	Deputy Circuit Clerk	Fidelity and Deposit Company	\$50,000
Chrishona Taylor	Deputy Circuit Clerk	Fidelity and Deposit Company	\$50,000
Brenda Whitworth	Deputy Circuit Clerk	Fidelity and Deposit Company	\$50,000
Justin Wetzel	Deputy Circuit Clerk	Fidelity and Deposit Company	\$50,000
Olivia Young	Deputy Circuit Clerk	Fidelity and Deposit Company	\$50,000
Troy Peterson	Sheriff	Fidelity and Deposit Company	\$100,000
Albert J. Fountain	Justice Court Judge - District 1	Fidelity and Deposit Company	\$50,000
David B. Ladner	Justice Court Judge - District 2	Fidelity and Deposit Company	\$50,000
Louise D. Ladner	Justice Court Judge - District 3	Fidelity and Deposit Company	\$50,000
Melvin J. Ray	Justice Court Judge - District 4	Fidelity and Deposit Company	\$50,000
Bruce Strong	Justice Court Judge - District 5	Fidelity and Deposit Company	\$50,000
Greg Illich	Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Alyce Dana	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Cecil Wilkinson	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Cynthia Eighmey	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Devin Gist	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Elizabeth Cash	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Jackie McBride	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Judy E. Irons	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Krisit Brackett	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Michele Marroy	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Mandy McKay	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Melanie Romero	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Melissa Randall Yarber	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Merry Savoy	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Priscilla Thompson	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Rachael Taylor	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Rebecca Meakins	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Tammy Ladner	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Toni Boney	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
Torie Graham	Deputy Justice Court Clerk	Fidelity and Deposit Company	\$50,000
David V. LaRosa, Sr.	Tax Collector	Fidelity and Deposit Company	\$100,000
E. T. Flurry	Tax Assessor	Fidelity and Deposit Company	\$100,000
	Sheriff Deputies	Western Surety Company	\$50,000
	Deputy Tax Collectors	Fidelity and Deposit Company	\$50,000
	Deputy Tax Assessors	Fidelity and Deposit Company	\$50,000

## SPECIAL REPORTS



WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

June 5, 2018

Members of the Board of Supervisors  
Harrison County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Harrison County, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Harrison County, Mississippi's basic financial statements and have issued our report thereon dated June 5, 2018.

Our report includes an unmodified opinion on the discretely presented component units. The Mississippi Coast Coliseum Commission had a reporting period of fifteen months and the County reported on a twelve month reporting period. The report is qualified on the governmental activities and the General Fund because management did not maintain an accurate aging of fines receivable for Justice and Circuit Courts as required by accounting principles generally accepted in the United States of America. Except as previously noted, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: **2017-002, 2017-003 and 2017-004.**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and questioned costs to be a significant deficiency: **2017-001.**

### **Compliance and Other Matters**

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

We noted certain matters that we reported to the management of Harrison 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 June 5, 2018, included within this document.

### **Harrison County, Mississippi's Response to Findings**

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

### **Purpose of this Report**

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

Walter Woodworth & Son



# WRIGHT, WARD, HATTEN & GUEL

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

June 5, 2018

Members of the Board of Supervisors  
Harrison County, Mississippi

### **Report on Compliance for Each Major Federal Program**

We have audited Harrison County, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Harrison County, Mississippi's major federal program for the year ended September 30, 2017. Harrison County, Mississippi's major federal program is 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 program.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for Harrison County, Mississippi's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Harrison County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Harrison County, Mississippi's compliance.

### ***Opinion on Each Major Federal Program***

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

## Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

Walter W. Keith, Jr.

WRIGHT, WARD, HATTEN & GUEL

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

June 5, 2018

Members of the Board of Supervisors  
Harrison County, Mississippi

We have examined Harrison County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2017. The Board of Supervisors of Harrison County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Harrison County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed a certain instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response is disclosed on the following page.

## Purchasing

### 1. Purchase orders dated after date of invoice.

Repeat Finding:	Yes
Criteria:	MS Code 31-7-113 requires purchase orders
Condition:	In several instances, purchase orders were dated after the date of the underlying invoice.
Cause:	The dating of purchase orders after the date implies the procurement process was circumvented.
Effect:	Invoices could be paid without proper approval.
Recommendation:	We recommend that the County review and implement policies and procedures that are consistent with the MS Code 31-7-113 and the Purchase Law Summary.

#### Purchasing Clerk's Response

The purchase clerk has continued to have discussions with various county departments regarding proper county procurement procedures. Many of the purchase orders are dated one day after the invoice date due to the timing of creating the purchase requisition and purchase order. We will continue to address this issue with the department supervisors to ensure a purchase requisition and purchase order are obtained prior to a purchase being made. The purchase clerk will continue to monitor the procurement process and ensure that purchase orders are issued prior to items or services are procured.

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

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

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

This report is intended for use in evaluating the central purchasing system and inventory control system of Harrison County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

*Walter Woodworth # 1*

HARRISON COUNTY, MISSISSIPPI  
Schedule of Purchases from other than the Lowest Bidder  
For Year Ended September 30, 2017

Schedule 1

<b>Date Purchased</b>	<b>Item Purchased</b>	<b>Bid Accepted</b>	<b>Vendor</b>	<b>Lowest Bid</b>	<b>Accepting Other Than the Lowest Bid</b>
3/31/2017	End Loader	\$ 231,500	Puckett Machinery	\$ 167,700	Bid specifications were not met
5/2/2017	Mini Excavator	\$ 58,995	Puckett Rents	\$ 57,390	Did not contain an extended warranty
5/23/2017	Wheel Backhoe/Loader	\$ 75,415	Puckett Machinery	\$ 75,076	Did not contain an extended warranty

HARRISON COUNTY, MISSISSIPPI  
Schedule of Emergency Purchases  
For Year Ended September 30, 2017

Schedule 2

<b>Date</b>	<b>Item Purchased</b>	<b>Amount Paid</b>	<b>Vendor</b>	<b>Reason for Emergency Purchase</b>
10/5/2016	Transformer at Long Beach ballfield	\$5,251	Millerco Inc.	Lightning strike to transformer – lost power to facility
1/20/2017	Repair and clean hydrostat system	31,859	Lyle Machinery	Hydrostatic pump failed internally
1/25/2017	Repair transformer and grinder at Long Beach ballfield	6,000	Millerco Inc.	Lightning strike to transformer – lost power to facility
2/14/2017	Repair west wall at Saucier fire station	6,500	Samuel B. Day Construction Inc.	Bay doorway damaged by truck
3/8/2017	Chill water pump at Gulfport courthouse	13,287	Engineered Cooling Service	Chill water pump came apart and went out
3/10/2017	Cylinder head and pistons on engine 7	15,415	Johnson Diesel Service	Steam and oil leaking from truck during medical call
3/15/2017	Repairs to Health Department east wall	36,800	Samuel B. Day Construction Inc.	Vehicle hit building and caused damage to wall
4/5/2017	Emergency repairs to jail fence	7,380	Michael J. Paola	Fence hit by vehicle
4/19/2017	Fuel system repair for F350	8,053	Butch Oustalet	Check engine light came on indication contaminated fuel
7/26/2017	Replacement material for engine control module	6,745	Millerco Inc.	Engine Control Module damaged by lightning
8/2/2017	A/C unit for Senior Center	5,065	Coburns	A/C went out in the kitchens
8/28/2017	Stocker trailer	5,495	Lewis Trailer Sales	To replace broken trailer that is used to pick up large animals
9/14/2017	Emergency repairs Jones Road force main	6,121	JLB Construction LLC.	Sewer line broken by county mowers
9/25/2017	Emergency repairs Fox Ave. off Jones Rd. sewer line	6,054	JLB Construction LLC.	Sewer line broken and leaking

HARRISON COUNTY, MISSISSIPPI  
Schedule of Purchases Made Noncompetitively From a Sole Source  
For Year Ended September 30, 2017

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
3/13/2017	Luminex Court Reporter	\$5,424	Stenograph
3/13/2017	Bodyworn Cameras and Software Support	271,835	Metrix Solutions
7/5/2017	Medical Equipment	48,721	Physio Control
9/11/2017	Taser Cartridges	10,117	Axon

# WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

*Certified Public Accountants*

HANCOCK BANK BUILDING

2510 - 14TH STREET

P.O. BOX 129

GULFPORT, MISSISSIPPI 39502

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

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CHARLENE KERKOW, CPA

MEMBERS  
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## LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

June 5, 2018

Members of the Board of Supervisors  
Harrison County, Mississippi

In planning and performing our audit of the financial statements of Harrison County, Mississippi for the year ended September 30, 2017, we considered Harrison County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Harrison County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 5, 2018, on the financial statements of Harrison County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

Board of Supervisors

1. Four-year road plan not adopted and spread upon minutes.

Repeat Finding                      No

Criteria:                              Mississippi law requires a four-year road plan be adopted.



Condition: The Board of Supervisors did not adopt and spread upon the minutes the four-year road plan by February 1, 2017.

Cause: The road plan was tabled in a January board meeting and lack of oversight failed to adopt by February 1, 2017.

Effect: Mississippi law was not followed.

Recommendation: We recommend that the County implement policies and procedures to ensure the four-year road plan is adopted and spread upon the minutes by February 1, 2017.

Response

The Road Manager will ensure that the four-year road plan is adopted and spread upon the minutes by February 1 of each fiscal year.

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

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

*Walter Woodworth # 1*



## SCHEDULE OF FINDINGS AND QUESTIONED COSTS



HARRISON COUNTY, MISSISSIPPI  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2017

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

***Financial Statements:***

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

***Federal Awards:***

- |    |   |            |
|----|---|------------|
| 4. | Internal control over major federal programs:   |            |
|    | a. Material weaknesses identified?  | No         |
|    | b. Significant deficiency identified that is not considered to be a material weakness?  | No         |
| 5. | Type of auditor's report issued on compliance with major federal programs:  | Unmodified |
| 6. | Any finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  | No         |
| 7. | Federal programs identified as major:   |            |
|    | a. Coastal Impact Assistance Program Grant CFDA # 15.668  |            |
| 8. | The dollar threshold used to distinguish between type A and type B programs:  | \$ 750,000 |
| 9. | Auditee qualified as low risk:  | No         |
| 10 | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.516(b)? | Yes        |

HARRISON COUNTY, MISSISSIPPI  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2017

**Section 2: Financial Statement Findings**

Circuit Clerk, Justice Court

Significant Deficiency

<b>2017-001</b>	<b><u>Outstanding cash account amounts should be properly handled.</u></b>
Repeat Finding	No
Criteria	Old outstanding checks and unclaimed funds remain on the books for extended periods.
Condition	Several of the cash accounts in various departments have old outstanding checks that should be deemed as “unclaimed funds” and remitted to the Secretary of State or “voided” in the general ledger system.
Cause	Bank reconciliations are not being actively managed for resolution of outstanding items.
Effect	Large cash balances are accumulating in the accounts.
Recommendation	Old outstanding checks should be reviewed to determine if funds should be remitted to the Secretary of State and deemed “unclaimed funds” or if the checks should be “voided” in the general ledger system. All clearing account cash balances should be reconciled to the general ledger each month and any amounts that are determined to be excess funds should be remitted to the appropriate entities.

Justice Court

Material Weakness

<b>2017-002</b>	<b><u>The Justice Court Clerk aging schedule for fines receivable does not accurately reflect receivables due to the County.</u></b>
Repeat Finding	Yes 2016-004
Criteria	The Justice Court computer system is unable to determine the aging of fines receivable and the allowance for doubtful accounts is a rough estimate.
Condition	A review of the fines receivable report provided showed the aging of the total amount of fines receivable also included assessments and other monies that are not valid receivables of the County; the allowance for doubtful accounts is a rough estimate unsupported by systematic and periodic analysis of the outstanding accounts which is required to produce a reliable aging schedule.
Cause	The software is not capable of producing sufficient information to provide the amount of fines receivable or the accurate aging of the receivables.
Effect	The lack of timely information could result in the loss of public funds by failing to collect valid accounts.
Recommendation	After seeking Board approval, the Justice Court Clerk should consult with the Court software provider to implement a system for analyzing the various components of the

HARRISON COUNTY, MISSISSIPPI  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2017

receivables so that an accurate schedule for aging fines receivable can be produced and reviewed monthly as required for collection and reporting purposes. Any discrepancies noted in the review should be corrected.

Justice Court

Material Weakness

**2017-003**                      The Justice court is inconsistently assessing collection fees for delinquent payments and there were “unidentified funds” in the cash accounts.

Repeat Finding              Yes 2016-005

Criteria                      Fees are not being assessed on a consistent basis and all cash is not identified.

Condition                    The in-house collection fee is inconsistently assessed and in some instances is assessed before the account’s status is determined to be delinquent. Not all funds are identified in the cash accounts.

Cause                        Fee assessments are not being reviewed for consistent application and cash accounts are not being researched to identify all funds in the cash accounts.

Effect                        Fee revenue is not being recorded and cash amounts are unnecessarily be accumulated.

Recommendation              The Justice Court Department should assess the in-house collection fee as set forth in MS Code 19-3-41. The Justice Court Department should make every effort to identify all funds in the cash accounts and then take appropriate actions for the resolution of those funds.

Circuit Clerk

Material Weakness

**2017-004**                      The Circuit Court aging schedule for fines receivable does not accurately reflect receivables due to the County.

Repeat Finding              Yes 2016-006

Criteria                    The Circuit Court computer system is unable to determine the aging of fines receivable and the allowance for doubtful accounts is a rough estimate.

Condition                    A review of the fines receivable report provided showed the aging of the total amount of fines receivable also included assessments and other monies that are not valid receivables of the County, and the allowance for doubtful accounts is a rough estimate unsupported by systematic and periodic analysis of the outstanding accounts which is required to produce a reliable aging schedule.

Cause                        The software is not capable of producing sufficient information to provide the amount of fines receivable or the accurate aging of the receivables.

Effect                        The lack of timely information could result in the loss of public funds by failing to collect on valid accounts.

HARRISON COUNTY, MISSISSIPPI  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2017

Recommendation	After seeking Board approval, the Circuit Court Clerk should consult with the Court software provider to implement a system for analyzing the various components of the receivables so that an accurate schedule for aging fines receivable can be produced and reviewed monthly as required for collection and reporting purposes. Any discrepancies noted in the review should be corrected.
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**Section 3: Federal Award Findings and Questioned Costs**

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



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



# HARRISON COUNTY

## BOARD OF SUPERVISORS

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

TELEPHONE: (228) 865-4200

FACSIMILE: (228) 865-4162

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



June 5, 2018

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

Gentlemen:

Harrison County respectfully submits the following corrective action plan for the year ended September 30, 2017.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results does not include findings and is not addressed.

### **SECTION 2: FINANCIAL STATEMENT FINDINGS**

#### **2017-001 Corrective Action Planned:**

Justice Court will review all outstanding checks that are greater than two years old to determine if each should be deemed as unclaimed funds and settled to the County Treasury. Moving forward, Justice Court will review all outstanding checks greater than two years old and will settle all deemed as unclaimed funds on a yearly basis to the County Treasury.

Anticipated Completion Date: September 30, 2018.

Name of Contact Person Responsible for Corrective Action:

Greg Illich, 228-865-4213

#### **2017-002 Corrective Action Planned:**

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

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

Anticipated Completion Date: September 30, 2018.

Name of Contact Person Responsible for Corrective Action:

Greg Illich, 228-865-4213

2017-003

Corrective Action Planned:

The in-house collection fee can be added to a traffic case once we determine the defendant is greater than 90 days delinquent and we actually take additional collection steps (fail to pay) to help ensure the account is collected as ordered by the Court. The majority of the sample cases are criminal and we are unable to suspend the defendant's driver's license for failing to pay as ordered on that case type. The Clerk or a Deputy Clerk cannot take additional collection steps on criminal cases without the Courts approval. In some delinquent criminal cases, the only additional collection option we have is to send the delinquent case to our collection company. The twenty five percent or fifty percent collection fee is only added at the time the case is turned over to our outside collection agency.

Justice Court was unable to identify the unidentified monies that date back to the year 2003. Justice Court completes a Distribution of Cash each month which helps ensure the unidentified money amount doesn't change from month to month. The amount hasn't changed in the past six years. Justice Court will settle the unidentified funds to the County Treasury prior to the end of the fiscal year.

Anticipated Completion Date: September 30, 2018.

Name of Contact Person Responsible for Corrective Action:

Greg Illich, 228-865-4213

2017-004

Corrective Action Planned:

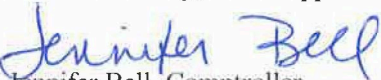
The State Electronic Filing System (MEC) is continuing to work on their accounting software as stated in prior year responses. MEC is aware of the deficiencies that the Circuit Clerk is presently experiencing, and the Circuit Clerk's inability to produce aging reports to comply with State Auditor requirements. MEC has notified the Circuit Clerk's Office of a one to three-year timeframe for completion of their criminal court accounting software. Meanwhile, the Circuit Clerk has previously met with the IT Department and discussed the possibility of implementing a newer version of the current software program that is being used.

Anticipated Completion Date: September 30, 2018.

Name of Contact Person Responsible for Corrective Action:

Connie Ladner, 228-865-1635

Sincerely,  
Harrison County, Mississippi



Jennifer Bell, Comptroller

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



# HARRISON COUNTY

## BOARD OF SUPERVISORS

1801 23<sup>RD</sup> AVENUE • P.O. DRAWER CC • GULFPORT, MISSISSIPPI 39502-0860  
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### SUMMARY SCHEDULE OF PRIOR AUDIT FINDING For the Year Ended September 30, 2017

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

#### DEPARTMENT OF JUSTICE – CRIMINAL DIVISION

#### 2016 – Finding 007 CFDA # 16.922 – Equitable Sharing Program – Reporting

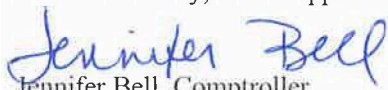
Finding Type: Compliance Findings and Other Matters required to be reported by Uniform Guidance. Significant Deficiency in Internal Control over Compliance.

Finding: The Equitable Sharing Annual Certification Report's cash balance did not agree to the cash balance per the general ledger as of the end of the year.

Recommendations: Amend the Equitable Sharing Annual Certification Report at the next filing to have the general balance cash balance and the Annual Certification Report agree. Establish a process to review all reports for accuracy, completeness, and compliance.

Current Status: The County has followed the above recommendations.

Sincerely,  
Harrison County, Mississippi

  
Jennifer Bell, Comptroller

