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**Harrison County, Mississippi**  
**Audited Financial Statements**  
**And Special Reports**  
**For the Year Ended September 30, 2018**



# Harrison County, Mississippi

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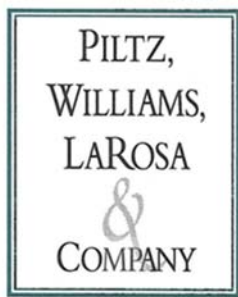
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## **FINANCIAL SECTION**



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## Independent Auditors' Report

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, discretely presented component units (Harrison County Development Commission and Mississippi Coast Coliseum Commission), each major fund, and the aggregate remaining fund information of Harrison County, Mississippi, (the County) as of and for the year ended September 30, 2018, 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 Mississippi Coast Coliseum Commission and issued our report February 13, 2019, in which we issued unmodified opinions. Mississippi Coast Coliseum Commission represents 81 percent, 81 percent, and 66 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 Harrison County Development Commission which represent 19 percent, 19 percent, and 34 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 Harrison County Development 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 \$8,020,824 as of September 30, 2018.

### ***Qualified Opinion***

In our opinion, except for the effects of the matter discussed in the "Basis for Qualified Opinion on the 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 units, as of September 30, 2018, and the changes in financial position thereof for the year then 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions, and the Schedule of Changes in the County's Total OPEB Liability and Related Ratios 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 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*

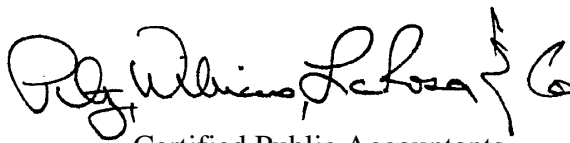
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harrison County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, 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 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 as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2019 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 solely 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.



Certified Public Accountants

Biloxi, Mississippi  
August 9, 2019



## **Management's Discussion and Analysis**

**Harrison County, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2018  
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, 2018. 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, 2018, is 206,650. The median household income for 2017 was \$44,684 with over 87% 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 promote transparency, accountability, accurate financial reporting, and to meet various compliance requirements of state and federal governments.

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

Total net position decreased \$449,815. This decrease includes a prior period adjustment in the amount of (\$6,215,823) and a change in net position of \$5,766,008 and represents a 10% decrease from the prior fiscal year. The prior period adjustment details are found in Note 2. The County's primary government's ending unrestricted cash balance increased by \$6,042,076 which represents an 8.4% increase from the prior fiscal year.

The County's primary government had \$119,569,608 in total revenues. Tax revenues, including property taxes, road & bridge taxes, taxes in lieu-federal government and gaming taxes account for \$73,815,479 or 62% of total revenues. State and federal revenues in the form of reimbursements, shared revenue, operating and capital grants, account for \$25,477,670 or 21% of total revenues. Charges for services performed by the County account for \$14,030,015 or 12% of total revenues, and interest combined with other miscellaneous revenues account for the remaining \$6,246,444 or 5% of total revenues.

The County had \$113,803,600 in total primary government expenses, which represents an increase of \$5,079,880 or 4.7% increase from the prior fiscal year. Expenses in the amount of \$31,551,559 were offset by grants and charges for services. General revenues of the primary government of \$88,018,049 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$66,615,863 in revenues plus \$4,377,650 in other financing sources and uses, and \$65,597,875 in expenditures. The General Fund's fund balance increased \$7,926,643 over the prior year, including a prior period adjustment in the amount of \$2,531,005.

**Harrison County, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2018  
UNAUDITED**

Capital assets of the primary government, net of accumulated depreciation, decreased by \$8,242,922 due primarily to prior period adjustment of (\$5,147,123), disposals and adjustments of capital assets of (\$135,955), additions of capital assets of \$3,634,369, and depreciation expense of \$6,594,213.

Long-term debt of the primary government decreased by \$7,301,180 which includes payment of bonds, loans and leases in the amount of \$8,397,350, new debt issuance in the amount of \$808,886, an increase in compensated absences of \$151,437 and amortization of bond premiums and deferred amounts of refunding for a net amount of \$135,847.

***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-

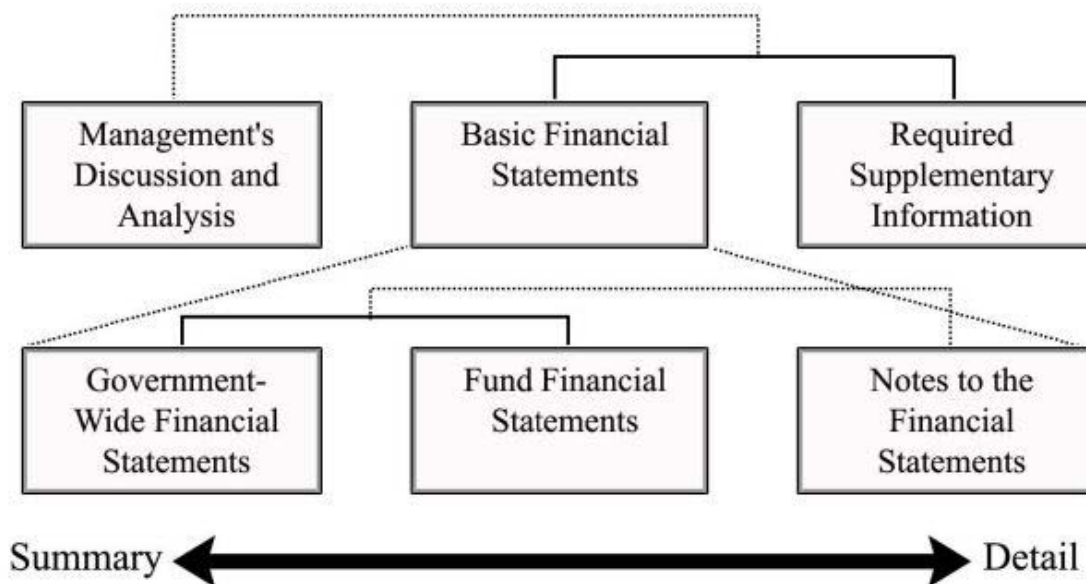


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

**Harrison County, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2018  
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Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

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

	<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 obligations</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>

**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.

**Harrison County, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2018  
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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

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**  
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Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 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 and Tort 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 Obligations, 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 25-79 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 80 of this report.

**Harrison County, Mississippi**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2018**  
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Additionally, a schedule of expenditures of federal awards is required by the Uniform Guidance and can be found on pages 86-88 of this report.

***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 assets and deferred outflows exceeded liabilities and deferred inflows by \$3,838,579 as of September 30, 2018.

By far, the largest portion of the County's net position \$85,270,908 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, 2018.

***Table 1***  
Harrison County, Mississippi  
Condensed Statement of Net Position  
September 30,

	Primary Government Governmental Activities	
	2018	2017
<b>Assets</b>		
Current assets	\$ 147,824,920	\$ 139,428,960
Restricted assets	627,465	-
Capital assets, net	154,721,297	162,964,219
Total assets	303,173,682	302,393,179
Deferred Outflow of Resources	24,306,549	33,116,643
<b>Liabilities</b>		
Current liabilities	18,540,088	7,445,363
Long-term debt outstanding	140,749,987	157,163,830
Other noncurrent liabilities	90,848,506	86,945,189
Total Liabilities	250,138,581	251,554,382
Deferred Inflow of Resources	73,503,071	79,667,046
<b>Net Position</b>		
Net investment in capital assets	85,270,908	83,975,394
Restricted	35,304,419	29,395,684
Unrestricted	(116,736,748)	(109,082,684)
Total Net Position	\$ 3,838,579	\$ 4,288,394

**Harrison County, Mississippi**  
**Management's Discussion and Analysis**  
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The following are significant current year transactions that have had an impact on the Statement of Net Position.

- The Board of Supervisors used conservative budgeting and strong fiscal management to avoid tax increases.
- A net decrease in the amount of \$7,452,617 of long-term debt principal, excluding compensating absences.
- Capital assets decreased by \$8,242,922 primarily from disposal of certain assets and current year depreciation.

**Changes in Net Position** – Harrison County's total revenues in the primary government for the fiscal year ended September 30, 2018 were \$119,569,608. The total cost for all services provided by the primary government was \$113,803,600. The decrease in net position was \$449,815, which includes a prior period adjustment of (\$6,215,823). The following table presents a summary of the changes in net position for the fiscal year ended September 30, 2018.

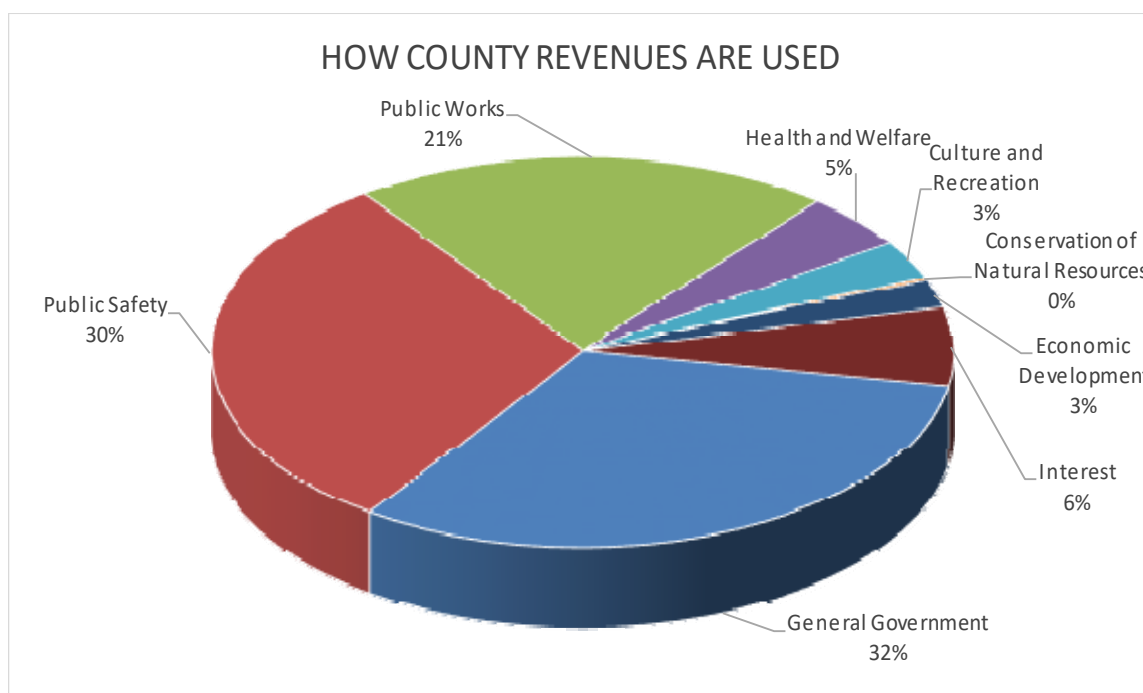
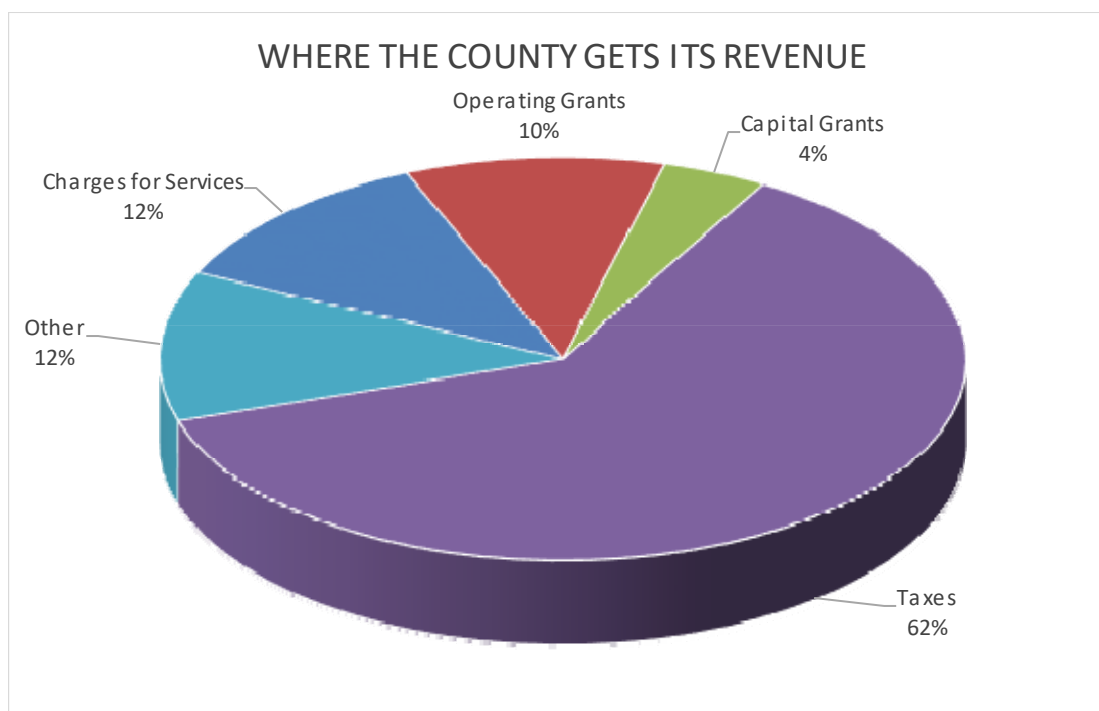
***Table 2***

Harrison County, Mississippi  
Condensed Statement of Activities  
September 30,

	Primary Government Governmental Activities	
	2018	2017
Revenues		
Charges for services	\$ 14,030,015	\$ 10,079,254
Operation grants and contributions	12,474,895	10,629,595
Capital grants and contributions	5,046,649	6,313,494
General revenues	88,018,049	84,265,120
Total Revenues	119,569,608	111,287,463
Program Expenses		
General government	36,307,176	36,866,754
Public safety	34,499,174	33,621,680
Public works	23,940,083	20,695,654
Health and welfare	5,309,089	4,430,052
Culture and recreation	3,616,547	3,994,297
Conservation of natural resources	255,436	784,525
Economic development and assistance	2,721,491	2,031,368
Interest on long-term debt	7,154,604	6,299,390
Total Expenses	113,803,600	108,723,720
Change in Net Position	5,766,008	2,563,743
Beginning Net Position, as previously reported	4,288,394	1,244,551
Prior period adjustment	(6,215,823)	480,100
Beginning Net Position, restated	(1,927,429)	1,724,651
Ending Net Position	\$ 3,838,579	\$ 4,288,394



**Harrison County, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2018  
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**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.

**Harrison County, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2018  
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	Total Costs	Net Costs
General government	\$ 36,307,176	\$ 28,430,556
Public safety	34,499,174	22,893,527
Public works	23,940,083	14,146,024
Health and welfare	5,309,089	4,389,488
Culture and recreation	3,616,547	2,323,535
Conservation of natural resources	255,436	195,316
Economic development and assistance	2,721,491	2,718,991
Interest on long-term debt	7,154,604	7,154,604

***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 \$76,933,163, and an increase of \$3,955,941. The primary reasons for this increase are highlighted in the analysis of governmental activities and include a prior period adjustment of (\$1,064,768).

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 \$7,926,643, including a prior period adjustment in the amount of \$2,531,005.

***BUDGETARY HIGHLIGHTS OF MAJOR FUNDS***

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

- Budgeted revenue from property taxes, licenses, commissions and fees, intergovernmental revenues and charges for services were amended to account for increase in collections of taxes, funding from grants and expected revenues increases for charges.
- Budgeted expenditures for general government, public safety, health and welfare, and culture and recreation expenditures were decreased to reflect various cost savings in these different departments.

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.

***CAPITAL ASSETS AND DEBT ADMINISTRATION***

Capital Assets – As of September 30, 2018, Harrison County's total capital assets were \$316,667,345. 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

**Harrison County, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2018  
UNAUDITED**

increase of \$1,400,431 from the previous year of \$315,266,914, as adjusted. This decrease is due primarily to capital assets disposed of \$2,233,938 and purchases or constructed assets of \$3,634,369.

Total accumulated depreciation as of September 30, 2018, was \$161,946,048 including \$6,594,213 of depreciation expense for the year. The balance in total net capital assets was \$154,721,297 at year-end.

Additional information on Harrison County's capital assets can be found in Note 9 on page 46 of this report.

**Debt Administration** – At September 30, 2018, Harrison County had \$143,169,722 in long-term debt outstanding. Total debt shown in Note 14 is \$145,803,482 net of premiums. This amount less compensated absences of \$2,633,760 is \$143,169,722. There is also a deferred outflow associated with long-term debt in the amount of \$3,603,923. This includes general obligation bonds, revenue bonds, and obligations under capital lease. Of this debt, \$7,938,797 is due within one year.

Included in long-term non-capital debt is \$2,633,760 in compensated absences. This amount increased \$151,437 from the prior year amount of \$2,482,323. The total debt due within one year in Note 14 is \$8,338,020. This amount less compensated absences of \$263,376 is \$7,938,797.

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 \$137,910,000 or 6.19% of total assessed value.

Additional information on Harrison County's long-term debt can be found in Note 14 on page 60 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**  
**Statement of Net Position**  
September 30, 2018

	<u>Primary Government</u> Governmental Activities	<u>Component</u> Units
<b>Assets</b>		
Cash and cash equivalents	\$ 77,667,587	\$ 6,669,347
Investments	-	5,784,405
Accrued interest receivable	-	59,274
Property tax receivable	55,419,741	-
Premium receivable	403,225	-
Accounts receivable, net	324,015	313,485
Fines receivable, net of allowance for uncollectible of \$37,416,384	8,020,824	-
Loans receivable	62,128	-
Intragovernmental balances	147,044	(147,044)
Intergovernmental receivables	5,422,646	-
Prepaid expenses	357,710	139,709
Land inventory	-	9,357,449
Restricted assets		
Cash and cash equivalents	627,465	20,895
Investments	-	7,000,000
Capital assets		
Land and construction in progress	8,591,925	9,630,502
Other (net of accumulated depreciation)	146,129,372	108,074,215
Total assets	<u>303,173,682</u>	<u>146,902,237</u>
<b>Deferred Outflows of Resources</b>		
Deferred amounts on bond refunding	3,603,923	-
Deferred effective interest rate swaps	17,626,816	-
Deferred amounts on pension	3,075,810	366,600
Total deferred outflows of resources	<u>24,306,549</u>	<u>366,600</u>

*The accompanying notes are an integral part of the financial statements.*

**Harrison County, Mississippi**  
**Statement of Net Position**  
September 30, 2018

	<u>Primary Government</u> Governmental Activities	<u>Component</u> Units
<b>Liabilities and Net Assets</b>		
Liabilities		
Claims payable	\$ 2,524,757	\$ 462,301
Wages payable	800,662	-
Retainage payable	22,007	-
Intergovernmental balances	2,544,228	327
Accrued interest payable	413,496	1,600
Due to fiduciary	117,012	-
Unearned revenue	2,421,345	1,600
Amounts held in custody	456,474	1,825,542
Claims and judgments payable	582,689	-
Accounts payable from restricted assets	-	13,887
Noncurrent liabilities		
Other postemployment benefit obligation	4,357,057	-
Net pension liability	86,491,449	4,611,661
Due within one year:		
Capital debt	6,653,068	3,029,194
Non-capital debt	2,004,350	19,181
Due beyond one year:		
Capital debt	65,780,058	87,233
Non-capital debt	74,969,929	115,637
Total liabilities	<u>250,138,581</u>	<u>10,168,163</u>
<b>Deferred Inflows of Resources</b>		
Hedging derivative instruments	17,626,816	-
Deferred property tax revenue	53,678,715	-
Deferred amounts on pension	2,197,540	169,449
Total deferred inflows of resources	<u>73,503,071</u>	<u>169,449</u>
Net position		
Net investment in capital assets	85,270,908	114,442,680
Restricted:		
Nonexpendable:		
Permanently restricted investments	-	7,000,000
Proprietary restricted for claims	14,806	
Nonexpendable	1,176,005	7,008
Expendable:		
General government	697,022	
Public safety	8,029,735	
Public works	72,099	
Health and welfare	157,914	
Economic development	7,907	
Conservation of natural resources	27,514	
Capital projects	2,947,745	
Debt service	22,173,672	
Unrestricted	(116,736,748)	15,481,537
Total net position	<u>\$ 3,838,579</u>	<u>\$ 136,931,225</u>

*The accompanying notes are an integral part of the financial statements.*

**Harrison County, Mississippi**  
**Statement of Activities**  
For the Fiscal Year Ended September 30, 2018

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Units
Functions/Programs	Expenses					
Governmental activities						
General government	\$ 36,307,176	\$ 6,858,451	\$ 1,018,169	\$ -	\$ (28,430,556)	
Public safety	34,499,174	6,943,684	1,177,902	3,484,061	(22,893,527)	
Public works	23,940,083	227,880	9,225,724	340,455	(14,146,024)	
Health and welfare	5,309,089	-	805,841	113,760	(4,389,488)	
Culture and recreation	3,616,547	-	184,639	1,108,373	(2,323,535)	
Conservation of natural resources	255,436	-	60,120	-	(195,316)	
Economic development and assistance	2,721,491	-	2,500	-	(2,718,991)	
Interest and other, long-term debt	7,154,604				(7,154,604)	
Total governmental activities	<u>\$ 113,803,600</u>	<u>14,030,015</u>	<u>12,474,895</u>	<u>5,046,649</u>	<u>(82,252,041)</u>	
Component units						
Governmental activities						
Harrison County Development Commission	2,099,061	560,686	-	1,271,160		(267,215)
Business-type activities						
Harrison County Development Commission	607,047	761,433	-	-		154,386
Mississippi Coast Coliseum Commission	9,397,427	5,413,286	-	-		(3,984,141)
Total component units	<u>\$ 12,103,535</u>	<u>6,735,405</u>	<u>-</u>	<u>1,271,160</u>		<u>(4,096,970)</u>
General revenues:						
Property taxes					63,798,795	-
Road & bridge privilege taxes					2,432,324	-
Taxes in lieu - federal government					140,498	-
Gaming taxes					7,443,862	-
Grants and contributions not restricted to specific programs					7,831,873	-
Unrestricted gifts and donations					124,253	-
Investment income					1,126,393	251,795
Miscellaneous					5,120,051	1,266,771
Total general revenues					<u>88,018,049</u>	<u>1,518,566</u>
Change in net position					<u>5,766,008</u>	<u>(2,578,404)</u>
Net position - beginning, as previously reported					4,288,394	139,509,629
Prior period adjustment					(6,215,823)	
Net position - beginning, as restated					<u>(1,927,429)</u>	<u>139,509,629</u>
Net position - ending					<u>\$ 3,838,579</u>	<u>\$ 136,931,225</u>

*The accompanying notes are an integral part of the financial statements.*

**Harrison County, Mississippi**  
**Balance Sheet**  
**Governmental Funds**  
September 30, 2018

	Major Funds					
	General Fund	Road Fund	General County Bond & Interest Sinking Fund	County Port Bond & Interest Sinking Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 30,028,226	\$ 3,462,260	\$ 2,626,666	\$ 7,078,073	\$ 34,928,835	\$ 78,124,060
Property tax receivable	40,950,656	2,600,837	4,594,030	-	7,274,218	55,419,741
Accounts receivable	-	-	-	-	324,015	324,015
Fines receivable (net of allowance for uncollectible of \$37,416,384)	8,020,824	-	-	-	-	8,020,824
Loans receivable	147,044	-	-	-	62,128	209,172
Intergovernmental receivables	1,986,372	137,318	-	320,409	2,978,547	5,422,646
Due from other funds	42	209,811	82,827	3,849,866	91,075	4,233,621
Total assets	<u>\$ 81,133,164</u>	<u>\$ 6,410,226</u>	<u>\$ 7,303,523</u>	<u>\$ 11,248,348</u>	<u>\$ 45,658,818</u>	<u>\$ 151,754,079</u>
<b>Liabilities and Fund Balance</b>						
<b>Liabilities</b>						
Claims payable	\$ 1,639,531	129,940	-	-	755,284	2,524,755
Wages payable	631,618	82,703	-	-	86,342	800,663
Intergovernmental payables	2,544,228	-	-	-	-	2,544,228
Due to other funds	530,504	-	-	-	3,843,408	4,373,912
Unearned revenue	-	-	-	-	2,421,345	2,421,345
Amounts held in custody for others	456,474	-	-	-	-	456,474
Total liabilities	<u>\$ 5,802,355</u>	<u>212,643</u>	<u>-</u>	<u>-</u>	<u>7,106,379</u>	<u>13,121,377</u>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue - property taxes	\$ 39,209,630	2,600,837	4,594,030	-	7,274,218	53,678,715
Unavailable revenue - fines	8,020,824	-	-	-	-	8,020,824
Total deferred inflows of resources	<u>\$ 47,230,454</u>	<u>2,600,837</u>	<u>4,594,030</u>	<u>-</u>	<u>7,274,218</u>	<u>61,699,539</u>
<b>Fund Balances</b>						
<b>Nonspendable</b>						
Loans receivable	\$ 147,044	-	-	-	62,128	209,172
Unemployment escrow	-	-	-	-	128,702	128,702
<b>Restricted for:</b>						
General government	695,537	-	-	-	1,485	697,022
Public safety	-	-	-	-	8,029,735	8,029,735
Public works	-	-	-	-	72,099	72,099
Health and welfare	-	-	-	-	157,914	157,914
Economic development	-	-	-	-	7,907	7,907
Conservation of natural resources	-	-	-	-	27,514	27,514
Capital projects	-	-	-	-	2,947,745	2,947,745
Debt service	-	-	2,709,493	11,248,348	8,629,327	22,587,168
<b>Committed to:</b>						
General government	-	-	-	-	92,964	92,964
Public safety	-	-	-	-	2,527,151	2,527,151
Public works	-	3,596,746	-	-	8,748,273	12,345,019
Health and welfare	-	-	-	-	1,524,842	1,524,842
Capital projects	-	-	-	-	1,832,144	1,832,144
<b>Assigned to:</b>						
General government	-	-	-	-	42,518	42,518
Unassigned	27,257,774	-	-	-	(3,554,227)	23,703,547
Total fund balances	<u>\$ 28,100,355</u>	<u>3,596,746</u>	<u>2,709,493</u>	<u>11,248,348</u>	<u>31,278,221</u>	<u>76,933,163</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 81,133,164</u>	<u>\$ 6,410,226</u>	<u>\$ 7,303,523</u>	<u>\$ 11,248,348</u>	<u>\$ 45,658,818</u>	<u>\$ 151,754,079</u>

*The accompanying notes are an integral part of the financial statements.*



**Harrison County, Mississippi**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
September 30, 2018

Total fund balances of governmental funds in the balance sheet		\$ 76,933,163
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation.		154,721,297
Other long-term assets, not available to pay for current period expenditures and used in governmental activities, are not financial resources and, therefore, are deferred in the funds.		8,020,824
Long-term liabilities are not due and payable in the current period; therefore, are not reported in the funds.		(145,803,482)
Other postemployment benefits are not due and payable in the current period; therefore, are not reported in the funds.		(4,357,057)
Net pension obligations are not due and payable in the current period; therefore, are not reported in the funds.		(86,491,449)
Accrued interest payable is not due and payable in the current period; therefore, are not reported in the funds.		(413,496)
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	3,075,810	
Deferred inflows of resources related to pensions	(2,197,540)	878,270
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	17,626,816	
Derivative hedging instruments	(17,626,816)	-
Prepaid items, such as prepaid insurance, are accounted for as expenditures in the period of acquisition and, therefore are not reported in the funds.		357,710
Retainage payable for the construction of capital assets are not financial resources and, therefore, are not reported in the funds.		(22,007)
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.		14,806
Total net position - Governmental Activities		\$ 3,838,579

*The accompanying notes are an integral part of the financial statements.*

**Harrison County, Mississippi**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
For the Fiscal Year Ended September 30, 2018

	General	Road	General County Bond & Interest Sinking Fund	County Port Bond & Interest Sinking Fund	Other Governmental Funds	Total Governmental Funds
	Fund	Fund	Fund	Fund	Funds	Funds
<b>Revenues</b>						
Property taxes	\$ 46,787,861	\$ 2,999,541	\$ 5,771,928	\$ -	\$ 8,239,465	\$ 63,798,795
Road and bridge privilege taxes	-	2,432,324	-	-	-	2,432,324
Licenses, commissions and other revenue	4,311,914	-	-	-	-	4,311,914
Fines and forfeitures	918,107	-	-	-	850,635	1,768,742
Intergovernmental revenues	9,604,806	2,485,906	2,408	2,484,603	18,370,675	32,948,398
Charges for services	3,421,541	18,797	-	-	4,258,960	7,699,298
Interest income	521,766	27,532	51,842	74,412	448,897	1,124,449
Miscellaneous revenues	1,049,868	4,807	438,498	-	1,732,220	3,225,393
	<u>66,615,863</u>	<u>7,968,907</u>	<u>6,264,676</u>	<u>2,559,015</u>	<u>33,900,852</u>	<u>117,309,313</u>
<b>Expenditures</b>						
Current:						
General government	29,680,985	-	-	-	1,051,952	30,732,937
Public safety	26,211,851	-	-	-	6,098,905	32,310,756
Public works	57,433	8,657,333	-	-	13,921,510	22,636,276
Health and welfare	4,723,728	-	-	-	400,986	5,124,714
Culture and recreation	3,048,576	-	-	-	425,479	3,474,055
Conservation of natural resources	200,820	-	-	-	-	200,820
Economic development and assistance	(1,562)	-	-	-	2,719,880	2,718,318
Debt service:						
Principal	1,287,430	202,351	4,158,000	398,544	2,351,025	8,397,350
Interest	376,764	3,501	1,429,854	194,246	3,948,472	5,952,837
Other debt service costs	11,850	-	528,350	1,500	542,875	1,084,575
Total expenditures	<u>65,597,875</u>	<u>8,863,185</u>	<u>6,116,204</u>	<u>594,290</u>	<u>31,461,084</u>	<u>112,632,638</u>
Excess (deficiency) of revenues over expenditures	<u>1,017,988</u>	<u>(894,278)</u>	<u>148,472</u>	<u>1,964,725</u>	<u>2,439,768</u>	<u>4,676,675</u>
<b>Other financing sources (uses)</b>						
Proceeds from sale of capital assets	-	-	-	-	44,550	44,550
Proceeds from capital lease financing	808,886	-	-	-	-	808,886
Proceeds from advance refunding	-	-	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-	-	-
Debt service principal - refunding bonds	-	-	-	-	-	-
Transfers in	5,241,770	979,102	-	-	4,986,664	11,207,536
Transfers out	(1,673,006)	-	-	(4,450,000)	(5,593,932)	(11,716,938)
Total other financing sources (uses)	<u>\$ 4,377,650</u>	<u>979,102</u>	<u>-</u>	<u>(4,450,000)</u>	<u>(562,718)</u>	<u>344,034</u>
Net change in fund balance	<u>\$ 5,395,638</u>	<u>84,824</u>	<u>148,472</u>	<u>(2,485,275)</u>	<u>1,877,050</u>	<u>5,020,709</u>
Fund balances- beginning, as previously reported	20,173,712	3,511,922	2,561,021	13,733,623	32,996,944	72,977,222
Prior period adjustment	2,531,005	-	-	-	(3,595,773)	(1,064,768)
Fund balances- beginning, as restated	<u>22,704,717</u>	<u>3,511,922</u>	<u>2,561,021</u>	<u>13,733,623</u>	<u>29,401,171</u>	<u>71,912,454</u>
Fund balances, end of year	<u>\$ 28,100,355</u>	<u>\$ 3,596,746</u>	<u>\$ 2,709,493</u>	<u>\$ 11,248,348</u>	<u>\$ 31,278,221</u>	<u>\$ 76,933,163</u>

*The accompanying notes are an integral part of the financial statements.*

**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, 2018

Net change in fund balances of governmental funds \$ 5,020,709

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 \$3,515,883 were exceeded by depreciation of \$6,594,213 in the current period. (3,078,330)

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 net basis in the disposed property of 35,544. (35,544)

Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full accrual basis of accounting. 1,853,617

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 \$8,397,350 exceeded debt proceeds of \$808,886. 7,588,464

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	319,398
Decrease in deferred amounts on refunding	(455,245)
Increase in compensated absences	(151,436)
Increase in other post employment benefits payable	(2,191,177)
Decrease in accrued interest payable	18,655

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	(3,076,806)
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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. (61,103)

Internal service funds are used to charge the costs of certain activities, such as insurance costs and risk management, to individual funds. 14,806

Change in net position of governmental activities	\$ 5,766,008
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*The notes to the financial statements are an integral part of this statement.*

**Harrison County, Mississippi**  
**Statement of Net Position**  
**Proprietary Funds**  
September 30, 2018

	Governmental Activities		
	Self-Insurance Fund	Tort Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 51,403	\$ 119,588	\$ 170,991
Insurance reimbursement receivable	-	403,225	403,225
Due from other funds	23,279		23,279
Total assets	<u>74,682</u>	<u>522,813</u>	<u>597,495</u>
<b>Liabilities</b>			
Claims and judgments payable	<u>59,876</u>	<u>522,813</u>	<u>582,689</u>
Total liabilities	<u>59,876</u>	<u>522,813</u>	<u>582,689</u>
<b>Net position</b>			
Restricted for claims	<u>\$ 14,806</u>	<u>\$ -</u>	<u>\$ 14,806</u>

*The accompanying notes are an integral part of the financial statements.*

**Harrison County, Mississippi**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
For the Year Ended September 30, 2018

	Governmental Activities		
	Self-Insurance Fund	Tort Fund	Total
Operating revenues			
Insurance reimbursements	\$ -	\$ 395,728	\$ 395,728
Premiums	1,027,178	-	1,027,178
Total revenues	<u>1,027,178</u>	<u>395,728</u>	<u>1,422,906</u>
Operating expenses			
Claims payments	909,245	545,006	1,454,251
Legal	-	332,908	332,908
Administrative	126,406	5,879	132,285
Total operating expenses	<u>1,035,651</u>	<u>883,793</u>	<u>1,919,444</u>
Operating loss	<u>(8,473)</u>	<u>(488,065)</u>	<u>(496,538)</u>
Nonoperating revenues			
Interest income	-	1,942	1,942
Net nonoperating revenues	<u>-</u>	<u>1,942</u>	<u>1,942</u>
Net loss before capital contributions, special and extraordinary items and transfers	(8,473)	(486,123)	(494,596)
Transfers in	23,279	486,123	509,402
Changes in net position	<u>14,806</u>	<u>-</u>	<u>14,806</u>
Net position, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Net position, end of year	<u>\$ 14,806</u>	<u>\$ -</u>	<u>\$ 14,806</u>

*The accompanying notes are an integral part of the financial statements.*

**Harrison County, Mississippi**  
**Statement of Cash Flows**  
**Proprietary Funds**  
For the Year Ended September 30, 2018

	Governmental Activities		
	Self-Insurance Fund	Tort Fund	Total
<b>Cash flows from operating activities</b>			
Receipts for insurance reimbursements	\$ -	\$ 7,751	\$ 7,751
Receipts for premiums	1,633,845	-	1,633,845
Payments for claims	(1,551,219)	(65,806)	(1,617,025)
Payments for operating expenses	(126,407)	(397,192)	(523,599)
Net cash used in operating activities	<u>(43,781)</u>	<u>(455,247)</u>	<u>(499,028)</u>
<b>Cash flows from investing activities</b>			
Interest income	-	1,942	1,942
Net cash provided by investing activities	<u>-</u>	<u>1,942</u>	<u>1,942</u>
<b>Cash flows from non-capital financing activities</b>			
Advances from other funds	-	500,000	500,000
Net cash provided by non-capital financing activities	<u>-</u>	<u>500,000</u>	<u>500,000</u>
Net increase (decrease) in cash and cash equivalents	(43,781)	46,695	2,914
Cash and cash equivalents at beginning of year	<u>95,184</u>	<u>72,893</u>	<u>168,077</u>
Total cash and cash equivalents at end of year	<u><u>51,403</u></u>	<u><u>119,588</u></u>	<u><u>170,991</u></u>
Operating loss	(8,473)	(488,065)	(496,538)
Adjustments not affecting cash			
Decrease (increase) in premiums receivables	606,666	(403,225)	203,441
(Decrease) increase in claims and judgments liability	(641,974)	436,043	(205,931)
Net cash used in operating activities	<u>\$ (43,781)</u>	<u>\$ (455,247)</u>	<u>\$ (499,028)</u>

*The accompanying notes are an integral part of the financial statements.*

**Harrison County, Mississippi**  
Statement of Fiduciary Obligations  
September 30, 2018

	<u>Agency Funds</u>
<b>Assets</b>	
Cash	\$ 2,949,083
Due from other funds	123,512
Prepaid expense	413
Total assets	<u>\$ 3,073,008</u>
<b>Liabilities</b>	
Intergovernmental payables	\$ 415,974
Claims payable	176,488
Due to other funds	6,500
Amounts held in custody for others	2,474,046
Total liabilities	<u>\$ 3,073,008</u>

*The accompanying notes are an integral part of the financial statements.*

## **Notes to the Financial Statements**



**Harrison County, Mississippi**  
**Notes to Financial Statements**  
**September 30, 2018**

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**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018

**1. Summary of Significant Accounting Policies**

The financial statements of Harrison County, Mississippi (the County) have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles.

The following is a summary of the more significant accounting policies of the County:

**(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 Unit Disclosure**

The criteria for including component units consist of identification of legally separate organizations for which the officials of the County are financially accountable. This criteria also includes identification of organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the governments-wide financial statements to emphasize that they are legally separate from the government.

**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, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

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.

Harrison County Development Commission  
Condensed Statement of Net Position  
September 30, 2018

Assets and deferred outflows	
Current assets	\$ 16,557,800
Restricted assets	20,895
Capital assets, net	10,847,730
Deferred outflows	301,424
Total assets and deferred outflows	<u>\$ 27,727,849</u>
Liabilities and deferred inflows	
Current liabilities	\$ 83,704
Noncurrent liabilities	1,782,335
Deferred inflows	44,234
Total liabilities and deferred inflows	<u>1,910,273</u>
Net position	
Invested in capital assets, net of related debt	10,585,027
Restricted	-
Unrestricted	15,232,549
Total net position	<u>25,817,576</u>
Total liabilities, deferred inflows, and net position	<u>\$ 27,727,849</u>

Harrison County Development Commission  
Condensed Statement of Revenues and Expenses and Changes in Net Position  
For the Fiscal Year Ended September 30, 2018

Operating revenue	\$ 2,593,279
Operating expenses	(2,706,108)
Nonoperating revenues, net	529,432
Change in net position	<u>\$ 416,603</u>

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(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.

Mississippi Coast Coliseum Commission  
Condensed Statement of Net Position  
September 30, 2018

Assets and deferred outflows	
Current assets	\$ 5,765,869
Restricted assets	7,000,000
Capital assets, net	106,856,987
Deferred outflows	65,176
Total assets and deferred outflows	<u>\$ 119,688,032</u>
Liabilities and deferred inflows	
Current liabilities	\$ 5,321,171
Noncurrent liabilities	3,127,997
Deferred inflows	125,215
Total liabilities and deferred inflows	<u>8,574,383</u>
Net position	
Invested in capital assets, net of related debt	103,857,653
Restricted	7,000,000
Unrestricted	255,996
Total net position	<u>111,113,649</u>
Total liabilities, deferred inflows, and net position	<u>\$ 119,688,032</u>

Mississippi Coast Coliseum Commission  
Condensed Statement of Revenues and Expenses and Changes in Net Position  
For the Fiscal Year Ended September 30, 2018

Operating revenue	\$ 5,413,286
Operating expenses	(9,088,890)
Nonoperating revenues, net	680,597
Change in net position	<u>\$ (2,995,007)</u>

**(C) Basic Financial Statements**

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.

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

**Government-wide Financial Statements**

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all non-fiduciary 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 non-exchange revenues. The primary government is reported separately from its legally separate component units for which the primary government is financially accountable. Separate financial statements are provided for governmental funds and proprietary funds.

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 and 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. Non-major funds are aggregated and presented in a single column as Other Governmental Funds.

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

**(D) Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

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

The County reports the following major Governmental Funds:

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

Road 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.

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

Additionally, the County reports the following fund types:

**Governmental Fund Types**

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

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

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

**Proprietary Fund Type**

Internal Service Funds - These funds are used to account for those operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The County's internal service funds report on self-insurance for employee medical and dental 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) Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position**

**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.

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

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.

**Receivables**

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

**Interfund Transactions and Balances**

In general, eliminations have been made to minimize the double-counting of internal activity, including internal service fund activity, on the government-wide financial statements. Excess revenues or expenses from the internal service funds have been allocated to the appropriate function originally changed for the internal sale as part of this process. However, interfund services provided and used between different functional categories have not been eliminated in order to avoid distorting the direct costs and program revenues of the applicable functions.

In the fund financial statements, transactions for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures/expenses of the disbursing fund. Reimbursements of expenditures/expenses made by one fund to another are recorded as expenditures/expenses in the reimbursed fund. Transfers represent flows of assets between funds of the primary government without equivalent flows of assets in return and without a requirement for repayment.

Interfund receivables and payables have been eliminated from the government-wide Statement of Net Position. Fiduciary funds' receivables and payables have been classified as such on the government-wide Statement of Net Position.

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.

**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.



**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

**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.

**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.

**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, 2018  
(Continued)

The following schedule details those thresholds and estimated useful lives:

	Capitalization Threshold	Estimated Useful Life
Land	\$ -	N/A
Infrastructure	-	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

### **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 refundings and advance refundings 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, 2018  
(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.

**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.

**Long-term Liabilities**

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

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

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

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

**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.

**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.

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

**Equity Classifications**

The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources is reported as Net Position on the government-wide and proprietary funds financial statements and as Fund Balance on the governmental funds financial statements.

Government-wide Financial Statements:

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 and other debt net of unspent debt proceeds and related deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of assets and deferred outflows of resources less any related liabilities and deferred inflows of resources that are restricted 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 – Consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources not meeting the definition of “restricted” or “net investment in capital assets.”

Net Position Flow Assumption:

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

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

Fund Financial Statements:

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

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

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 – Consists of 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 – Consists of 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 – Consists of 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. These constraints are imposed separately from the creation of the revenue. The revenue cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by issuing another order.

Assigned fund balance – Consists of 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 – Consists of 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, 2018  
(Continued)

**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. However, because the revenues are not currently available, a deferred inflow of resources is recorded for this amount. 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. Accordingly, no amount is accrued for these taxes in the financial statements.

**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.

**Change in Accounting Standards**

The County implemented the following standard issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The provisions of this standard have been incorporated into the financial statements and notes.

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

**2. Prior Period Adjustments/Restatement**

Summaries of the significant net position adjustment are as follows:

Statement of Activities- Primary Government

<u>Explanation</u>	
Net adjustment of beginning deferred grant revenue	\$ (20,678)
Net adjustment of beginning intergovernmental receivable	(1,054,016)
Net adjustment to beginning retainage payable	5,994
Net adjustment to beginning capital assets	(5,147,123)
	<u>\$ (6,215,823)</u>

Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds

<u>Explanation</u>	
Net adjustment of beginning deferred grant revenue	\$ (20,678)
Net adjustment of beginning intergovernmental receivable	(1,054,016)
Net adjustment to beginning retainage payable	9,926
	<u>\$ (1,064,768)</u>



**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

**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, 2018, deposits were as follows:

	Carrying Amount				Bank Balance
	Deposits with Financial Institutions		Investments in Certificate of Deposits (less than 3 months maturity)	Total Cash and Cash Equivalents	
	Unrestricted	Restricted			
Primary Government					
Governmental-type activities	\$ 21,430,822	\$ 627,465	\$ 56,179,365	\$ 78,237,652	\$ 80,761,517
Agency funds	2,019,083	-	930,000	2,949,083	3,100,979
Total primary government	<u>23,449,905</u>	<u>627,465</u>	<u>57,109,365</u>	<u>81,186,735</u>	<u>83,862,496</u>
Discretely Presented Component Units					
Governmental-type activities:					
Harrison County Development Commission	2,426,809	20,895		2,447,704	2,455,333
Business-type activities:				-	
Harrison County Development Commission	928,623	-		928,623	931,518
Mississippi Coast Coliseum Commission	3,268,415	-		3,268,415	3,444,771
Total discretely presented component units	<u>\$ 6,623,847</u>	<u>\$ 20,895</u>	<u>\$ -</u>	<u>\$ 6,644,742</u>	<u>\$ 6,831,622</u>

**Custodial Credit Risk for 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, 2018  
(Continued)

Investments

Investment balances at September 30, 2018, are as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 to 5	6 to 10	Over 10
Discretely Presented Component Units					
Governmental-type activities:					
Harrison County Development Commission					
Certificates of deposit	\$ 3,412,617	\$ 3,412,617	\$ -	\$ -	\$ -
Business-type activities:					
Harrison County Development Commission					
Certificates of deposit	296,491	296,491	-	-	-
Mississippi Coast Coliseum Commission					
Certificates of deposit	729,374	300,000	205,278	224,096	-
Money market funds	1,029,715	1,029,715	-	-	-
Government National Mortgage Assoc.	237,641	-	880	154,823	81,938
Federal Home Loan Bank	3,955,239	748,733	2,050,433	1,156,073	-
Federal Home Loan Mortgage Corp.	253,679	-	253,679	-	-
Federal National Mortgage Assoc.	796,950	-	-	5,343	791,607
Federal Farm Credit Bank	1,880,702	-	1,608,347	272,355	-
American Express Centurion	191,997	-	191,997	-	-
Total	<u>\$ 12,784,405</u>	<u>\$ 5,787,556</u>	<u>\$ 4,310,614</u>	<u>\$ 1,812,690</u>	<u>\$ 873,545</u>
Restricted investments	\$ 7,000,000				
Unrestricted investments	<u>5,784,405</u>				
Total	<u>\$ 12,784,405</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 for Investments** - Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk.

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

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, 2018, is as follows:

Federal Home Loan Bank	44%
Federal National Mortgage Association	9%
Federal Farm Credit Bank	21%

**4. Accounts Receivable**

Accounts receivable consists of the following at September 30, 2018:

	Receivables		Allowance	
	Accounts	Grants & Contributions	for Doubtful Accounts	Net Receivable
Primary Government				
Governmental-type activities	\$ 324,015	\$ -	\$ -	\$ 324,015
Total primary government	<u>\$ 324,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 324,015</u>
Discretely Presented Component Units				
Governmental-type activities:				
Harrison County Development Commission	\$ 74,458	\$ -	\$ (32,261)	\$ 42,197
Business-type activities:				
Harrison County Development Commission	63,761	-	(2,107)	61,654
Mississippi Coast Coliseum Commission	209,634	-	-	209,634
Total discretely presented component units	<u>\$ 347,853</u>	<u>\$ -</u>	<u>\$ (34,368)</u>	<u>\$ 313,485</u>

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

**5. Interfund and Intergovernmental Transactions and Balances**

**(A) Interfund Activity**

The following is a summary of interfund balances at September 30, 2018:

*Due From/To Other Funds*

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 42
Other governmental funds	General Fund	91,075
Road Fund	General Fund	209,811
General County B & I Sinking Fund	General Fund	82,827
County Port B & I Sinking Fund	Other governmental funds	3,843,366
County Port B & I Sinking Fund	Agency Fund	6,500
Agency Fund	General Fund	123,512
Internal Service Funds	General Fund	23,279
Total		<u>\$ 4,380,412</u>

The receivables represent the tax revenue collected but not settled until October 2018, along with temporary cash loans for grants receivable. All interfund balances are expected to be repaid within one year from the date of the financial statements.

*Transfers In/Out*

Transfers In	Transfers Out	Amount
General Fund	Other governmental funds	\$ 5,241,770
Road Fund	General Fund	626,940
Road Fund	Other governmental funds	352,162
Other governmental funds	General Fund	536,664
Other governmental funds	County Port B & I Sinking Fund	4,450,000
Internal Service Funds	General Fund	509,402
Total		<u>\$ 11,716,938</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.

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

**(B) Intragovernmental Activity**

The following is a summary of intragovernmental balances at September 30, 2018:

<u>Receivable Agency</u>	<u>Payable Agency</u>	<u>Amount</u>
Primary government	Harrison County Development Commission	\$ 147,044
Total		<u>\$ 147,044</u>

These amounts represent debt the County acquired for the component unit. See Note 14 for details.

**6. Intergovernmental Receivables**

Intergovernmental receivables for the governmental activities at September 30, 2018, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental activities	
Legislative tax credit	\$ 1,061,175
Occupancy tax	780,641
Seawall tax	915,453
Gaming	1,063,621
Emergency assistance grants	465,826
State and community public safety grants	64,875
STP grants	3,704
Youth and Drug Courts	39,119
Tidelands grants	1,016,998
Various other grants	11,234
Total governmental activities	<u>\$ 5,422,646</u>

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

**7. Loans Receivable**

Loans receivable for balances for governmental activities at September 30, 2018, are as follows:

Description of Loan	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
West Harrison Water & Sewer	2/1/1998	N/A	N/A	\$ 15,000
East Central Harrison County Public Utility District	5/1/2009	6.00%	5/1/2014	47,128
Total				<u>\$ 62,128</u>

**8. Land Inventory**

Land inventory of \$9,357,449 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 Park	107	\$6,000	\$50,000 - \$175,000
Long Beach Industrial Park	129	\$7,250	\$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, 2018  
(Continued)

**9. Capital Assets**

**(A) Primary Government**

The following is a summary of capital assets activity for the year ended September 30, 2018:

	Balance Oct. 1, 2017*	Additions	Deletions/ Adjustments	Balance Sept. 30, 2018
Non-depreciable capital assets:				
Land	\$ 7,602,962	\$ -	\$ -	\$ 7,602,962
Construction in progress	235,164	854,210	100,411	988,963
Total non-depreciable capital assets	<u>7,838,126</u>	<u>854,210</u>	<u>100,411</u>	<u>8,591,925</u>
Depreciable capital assets				
Buildings	97,726,146	457,357	(413,710)	98,597,213
Improvements other than buildings	57,089,838	28,504	422,325	56,696,017
Mobile equipment	29,048,736	1,714,200	389,209	30,373,727
Furniture & equipment	4,733,617	580,098	136,313	5,177,402
Infrastructure	116,401,030	-	-	116,401,030
Leased property under capital leases	2,429,421	-	1,599,390	830,031
Total depreciable assets	<u>307,428,788</u>	<u>2,780,159</u>	<u>2,133,527</u>	<u>308,075,420</u>
Less accumulated depreciation for:				
Buildings	28,062,486	1,907,730	(68,223)	30,038,439
Improvements other than buildings	28,005,630	1,909,562	337,860	29,577,332
Mobile equipment	22,797,947	1,268,738	604,882	23,461,803
Furniture & equipment	3,726,173	397,087	116,322	4,006,938
Infrastructure	73,528,719	971,946	-	74,500,665
Leased property under capital leases	1,328,863	139,150	1,107,142	360,871
Total accumulated depreciation	<u>157,449,818</u>	<u>6,594,213</u>	<u>2,097,983</u>	<u>161,946,048</u>
Total depreciable assets, net	<u>149,978,970</u>	<u>(3,814,054)</u>	<u>35,544</u>	<u>146,129,372</u>
Governmental activities capital assets, net	<u>\$ 157,817,096</u>	<u>\$ (2,959,844)</u>	<u>\$ 135,955</u>	<u>\$ 154,721,297</u>

\* As restated. See prior period adjusting entry

Depreciation was charged to the following functions:

General government	\$ 1,679,118
Public safety	1,646,825
Public works	2,875,884
Health & welfare	201,787
Culture & recreation	139,708
Conservation of natural resources	3,173
Economic development	47,718
Total primary government depreciation expense	<u>\$ 6,594,213</u>

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

Commitments with respect to unfinished capital projects at September 30, 2018, consisted of the following:

Project Description	Remaining Financial Commitment	Expected Date of Completion
Boardwalk to West Biloxi Boat Ramp	\$ 867,847	February 2019
Biloxi River Boat Launch Project	381,239	June 2019
Merlin Necaise Boat Launch Project	8,100	February 2019
Canal Road to I10	110	January 2019

**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, 2018:

	Discretely Presented Component Units			
	Governmental Activities	Business-type Activities		
	Harrison County Development Commission	Harrison County Development Commission	Mississippi Coast Coliseum Commission	Total
Capital Assets				
Land	\$ 709,430	\$ -	\$ 8,921,072	\$ 9,630,502
Construction in progress	-	-	-	-
Buildings and improvements	3,963,396	-	136,129,720	140,093,116
Machinery and equipment	239,210	39,309	9,707,924	9,986,443
Water and sewer treatment plant	-	1,743,875	-	1,743,875
Site improvements and infrastructure	9,982,941	-	6,401,511	16,384,452
Less accumulated depreciation	(4,911,350)	(919,081)	(54,303,240)	(60,133,671)
Total capital assets, net	\$ 9,983,627	\$ 864,103	\$ 106,856,987	\$ 117,704,717

Depreciation Expense for Harrison County Development Commission is \$334,508 in the governmental activities and \$49,287 in the business type activities. Depreciation expense for the Mississippi Coast Coliseum Commission is \$3,371,391 for the business type activities.

**10. Claims and Judgments**

**Risk Financing**

Workers Compensation Benefits- 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 with a one-time



**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

\$750,000 deductible 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, 2018, to January 2019. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

**Health and Accident Benefits-** Prior to November 1, 2017, the County was exposed to risk of loss relating to employee health, accident and dental coverage. 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 were based on actuarial estimates. Each employee paid a portion of his/her premium through a payroll deduction. Harrison County paid the remaining portion of the premium on a single coverage policy for its respective employees. Employees desiring additional and/or dependent coverage paid the additional premium through a payroll deduction. Premium payments to the risk management fund were determined on an actuarial basis. The County had minimum uninsured risk retention to the extent that actual claims submitted exceed the predetermined premium.

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

The County had purchased coinsurance which functions on specific stop loss coverage. This coverage was purchased from an outside commercial carrier. The specific coverage began when an individual participant's claim exceeded \$100,000.

The plan described above closed October 31, 2017, and the County entered into a fully insured health plan as of November 1, 2017. Dental insurance was under the self-insured plan through December 31, 2018. As of January 1, 2019, dental insurance is fully insured.

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, 2018, the amount of this liability was \$59,876.

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
2015-2016	\$ 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
2017-2018	701,850	1,035,652	1,677,626	59,876

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

**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 three of the last four 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, 2018, the amount of these liabilities was \$522,813.

	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
2017-2018	280,174	308,445	65,806	522,813

**11. Capital Leases**

During the year ending September 30, 2018, the remaining amount of \$808,886 for the Energy Efficiency Project, approved November 16, 2016, was spent.

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2018:

Classes of Property	Governmental Activities
Mobile equipment	\$ 511,440
Furniture and equipment	318,591
Total	830,031
<b>Less</b> accumulated depreciation	360,871
Lease property under capital leases	<u><u>\$ 469,160</u></u>

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

The following is a schedule by years of the total payments due as of September 30, 2018:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2019	\$ 780,410	\$ 91,149
2020	765,773	77,432
2021	603,478	63,519
2022	504,073	52,295
2023	402,151	43,588
2024-2028	1,910,501	95,292
Total	<u>\$ 4,966,386</u>	<u>\$ 423,275</u>

**12. Other Postemployment Benefits (“OPEB”)**

**General Information about the OPEB Plan**

Plan Description

Eligible retirees may obtain health and life insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential; thus, the County has a post-employment healthcare benefit. The Harrison County Board of Supervisors administers a single employer, defined benefit post-employment health insurance plan for eligible retirees. This plan does not include the pension benefits discussed in Note 13. The plan is funded on a pay-as-you-go basis, and there are no plan financial statements.

Plan Membership

As of April 30, 2017, the plan membership data is as follows:

Number of participants	
Actives (with medical coverage)	731
Actives (without medical coverage)	57
Retirees (with medical coverage)	4
Retirees (without medical coverage)	49
Annual Projected Payroll	\$26,070,069
Average Projected Earnings	\$33,084

35% of future eligible retirees are assumed to elect medical coverage upon retirement.

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

Benefits Provided

The plan provides medical and life insurance coverage from a commercial insurance carriers for eligible retirees through the County's group health insurance plan, which covers both active and retired members. Benefit provisions are established and amended by the Board of Supervisors. Eligible retirees are those retirees who are age 55 or older and have completed 25 years of service. Eligible retired employees are not required to participate in the Plan. Spouses of retirees are not eligible for benefits. Benefits are provided through a third-party insurer. It is assumed that coverage will cease for eligible retirees upon attainment of age 65.

Contributions

Plan participants are responsible for paying 100% of the premiums. 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. For the year ended September 30, 2018, retiree monthly health premiums are approximately \$664. Life insurance premiums are based on the amount of insurance elected. Retiree contributions are assumed to increase at the health care cost trend rate.

Actuarial Assumptions

The County's OPEB liability results are based on the October 1, 2017, actuarial valuation with a measurement date of September 30, 2017, and reporting date of September 30, 2018. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age Normal Cost Method
Salary Increases	2.00% per annum
Inflation	3%
Discount Rate	3.13%
Healthcare Cost Trend Rates	7.0% per year graded down over 8 years to an ultimate rate of 5.0%
Mortality	RP-2014 Mortality Table adjusted to 2006 with generational mortality improvement to current year under Projection Scale MP-2016

The following changes in actuarial assumptions have been made since the prior measurement date:

1. The discount rate for Statements No. 74 and No. 75 is 3.13% based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2017, compared to the prior year Statement No. 45 discount rate of 4.5%.
2. The mortality improvement was changed from scale MP-2015 to scale MP-2016.
3. The medical trend was changed from 7.5% to 5% graded over 5 years beginning in 2015 to 7% to 5% graded over 8 years beginning in 2017.

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

Discount Rate

The discount rate used to measure the OPEB liability was 3.13% for this plan. The discount rate changed from the prior measurement date. The discount rate was 4.5% for the County portion of the plan for the September 30, 2018 reporting date.

	<u>Total OPEB Liability</u>
Balances as of September 30, 2017	* \$ 3,957,151
Changes for the Year:	
Service cost	325,938
Interest on the total OPEB liability	132,237
Difference between expected and actual experience	-
Changes in assumptions	-
Retiree Contributions	-
Benefit Payments, including employee refunds	<u>(58,269)</u>
Net Changes	399,906
Balances as of September 30, 2018	\$ 4,357,057

\*As restated due to the implementation of GASB 75

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using a discount rate 1-percentage-point lower and 1-percentage-point higher than the current discount rate:

	1% Decrease 2.13%	Current Rate 3.13%	1% Increase 4.13%
Net OPEB Liability	\$ 5,050,082	\$ 4,357,057	\$ 3,785,841

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using a healthcare cost trend rate 1-percentage-point lower and 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease 6% decreasing to 4% over 8 years	Current 7% decreasing to 5% over 8 years	1% Increase 8% decreasing to 6% over 8 years
Net OPEB Liability	\$ 4,164,604	\$ 4,357,057	\$ 4,554,483

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, Harrison County recognized OPEB expense of \$458,175. At September 30, 2018, the County reported no outflows of resources and deferred inflows of resources related to OPEB.

**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, as defined in GASB Statement No. 68- Accounting and Financial Reporting for Pensions. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Code Section 25-11-15, Miss. Code Ann. (1972), grants the authority for general administration and proper operation of PERS to the PERS Board of Trustees (PERS Board). 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 from its website [www.pers.ms.gov](http://www.pers.ms.gov), by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005, or by calling (601)-359-3589 or 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. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

receives benefits for life or for a specified number of years. 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. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

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.

### **Contributions**

At September 30, 2018, 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, 2018, was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature.

Contributions (employer share only) to PERS for the years ending September 30, 2018, 2017, and 2016, were as follows:

Year ended September 30,	Primary Government	Component Units	
		Harrison Co. Development Commission	Mississippi Coast Coliseum Commission*
2018	\$ 5,303,343	\$ 86,313	\$ 192,015
2017	5,126,684	82,056	239,974
2016	5,338,324	68,816	192,595

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

These amounts were 100% of required contributions.

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
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**Net Pension Liability and Pension Expense.**

At September 30, 2018, 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	\$ 86,491,449	\$ -	\$ 86,491,449
Total net pension liability - primary government	<u>\$ 86,491,449</u>	<u>\$ -</u>	<u>\$ 86,491,449</u>
Component units:			
Harrison County Development Commission	\$ 1,404,732	\$ 78,932	\$ 1,483,664
Mississippi Coast Coliseum Commission	-	3,127,997	3,127,997
Total net pension liability - component units	<u>\$ 1,404,732</u>	<u>\$ 3,206,929</u>	<u>\$ 4,611,661</u>

The net pension liability was measured as of June 30, 2018, 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, 2018, the County's and its component units' proportion was as follows:

	Percent	Increase (decrease)
Primary government	0.5200%	0.0100%
Component units		
Harrison County Development Commission	0.0090%	0.0020%
Mississippi Coast Coliseum Commission	0.0188%	-0.0003%



**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

For the year ended September 30, 2018, the County and its component units recognized pension expense as follows:

	Governmental-type Activities	Business-type Activities	Total
Pension expense			
Primary government	\$ 8,380,147	\$ -	\$ 8,380,147
Total net pension expense - primary government	<u>\$ 8,380,147</u>	<u>\$ -</u>	<u>\$ 8,380,147</u>
Component units:			
Harrison County Development Commission	\$ 272,581	\$ 26,234	\$ 298,815
Mississippi Coast Coliseum Commission	-	286,550	286,550
Total net pension expense - component units	<u>\$ 272,581</u>	<u>\$ 312,784</u>	<u>\$ 585,365</u>

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

At September 30, 2018, 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		
	Government	Commission	Commission	Commission	Total Component Units
Differences between expected and actual experience	\$ 379,174	\$ 6,445	\$ 60	\$ 13,713	\$ 20,218
Changes of assumptions	51,033	867	8	1,846	2,721
Changes in proportion and differences between employer's contributions and proportionate share of contributions	1,217,862	268,767	2,493	-	271,260
County contributions subsequent to the measurement date	1,427,741	22,575	209	49,617	72,401
Total	<u>\$ 3,075,810</u>	<u>\$ 298,654</u>	<u>\$ 2,770</u>	<u>\$ 65,176</u>	<u>\$ 366,600</u>

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

At September 30, 2018, the County and its component units reported deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources Related to Pensions				
	Component Units				
	Governmental Activities		Business-type Activities		
	Harrison	Harrison	Mississippi		
	County	County	Coast		Total
	Development	Development	Coliseum		Component
	Commission	Commission	Commission		Units
Differences between expected and actual experience	\$ 364,605	\$ 6,246	\$ 9	\$ 13,186	\$ 19,441
Changes of assumptions	47,767	818	1	1,728	2,547
Net changes in projected and actual earnings on pension plan investments	1,719,330	29,451	42	62,180	91,673
Changes in proportion and differences between employer's contributions and proportionate share of contributions	65,838	7,656	11	48,121	55,788
Total	\$ 2,197,540	\$ 44,171	\$ 63	\$ 125,215	\$ 169,449

\$1,427,741 and \$72,401 reported as deferred outflows of resources related to pensions in the primary government and in the component units, respectively, 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, 2019. 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,	Component Units			
	Total Primary Government	Harrison County Development Commission	Mississippi Coast Coliseum Commission	Total Component Units
2019	\$ 1,518,672	\$ 17,162	\$ 24,152	\$ 41,314
2020	242,206	112,611	(22,154)	90,457
2021	(1,921,390)	45,926	(85,556)	(39,630)
2022	(388,959)	58,707	(26,098)	32,609
Total	<u>\$ (549,471)</u>	<u>\$ 234,406</u>	<u>\$ (109,656)</u>	<u>\$ 124,750</u>

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

**Actuarial Assumptions**

The total pension liability in the June 30, 2018, 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 plan investment expense, including inflation

The table for post-retirement mortality rates used in evaluating allowances to be paid was the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022 with male rates set forward one year. The actuarial assumptions used in the June 30, 2018, 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, 2018 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	-
Total	100.00 %	

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
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**Discount rate**

The discount rate used to measure the total pension liability was 7.75%, which was based on the future long-term expected rate of return of 7.75%. 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 the 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.

**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 of the cost-sharing plan, calculated using the discount rate of 7.75% 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%) or one percentage-point higher (8.75%) than the current rate:

Proportionate share of PERS	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase -8.75%
Primary government	\$ 111,694,335	\$ 84,828,152	\$ 62,498,807
Harrison County Development			
Commission	1,953,556	1,483,664	1,093,116
Mississippi Coast Coliseum			
Commission	4,118,674	3,127,997	2,304,613

**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, 2018  
(Continued)

**14. Long-term Debt**

The County had the following types of long-term debt outstanding as of September 30, 2018:

General Obligation Bonds – General obligation bonds are issued to provide funds for the acquisition and construction of major capital facilities and are backed by the full faith, credit and taxing power of the County. The County levies a tax on all taxable property in the County in an amount adequate to meet the required principal and interest payments on the bonds.

Capital Leases - The County has entered into numerous lease-purchase agreements to finance the purchase of certain equipment as described below. The lease terms vary, but all agreements include a cancellation clause based on unavailability of funds.

Other Loans - The County has entered into loan agreements primarily with the State of Mississippi and other governmental entities in order to construct or acquire facilities to be used for economic development purposes. These facilities are then leased to the companies with payments from the companies being used to repay the principal and interest on the debt.

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

Debt outstanding as of September 30, 2018, 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	\$ 24,930,000	Variable	Oct. 2031
Special Obligation Refunding Bonds, Series 2008B	11,060,000	5.-5.5%	Oct. 2031
Special Obligation Refunding Bonds, Series 2008D	5,715,000	3.5-5.0%	Oct. 2028
Special Obligation Refunding Bonds, Series 2010A	28,160,000	5.0-5.25%	Jan. 2034
Special Obligation Refunding Bonds, Series 2010B	40,000,000	Variable	Sep. 2045
Special Obligation Refunding Bonds, Series 2010C	925,000	2.0-4.25%	Mar. 2030
General Obligation Industrial Development Bond, Series 2010D	695,000	1.75-6.05%	Mar. 2030
General Obligation Refunding Bonds, Series 2010E	1,525,000	3.60%	Dec. 2025
General Obligation Refunding Bonds, Series 2016B	12,925,000	4-5%	Oct. 2028
General Obligation Refunding Bonds, Series 2017A	6,394,000	1.95-2.25%	Mar. 2030
General Obligation Refunding Bonds, Series 2017B	5,581,000	2.27-3.40%	Mar. 2030
Total bonds - primary government	\$ 137,910,000		
B. Capital leases			
Hancock Bank auto lease	\$ 343,776	1.67%	Feb. 2020
Bank of America - election equipment lease	28,302	1.49%	Nov. 2018
Bank of America - Gulfport HVAC lease	749,622	1.64%	Nov. 2021
Bank of America - energy efficiency lease	3,844,686	1.49%	Nov. 2027
Total capital leases - primary government	\$ 4,966,386		
C. Other loans			
MDA Cap Loan 0303	\$ 73,575	3.00%	Nov. 2020
MDA Cap Loan 0304	73,469	3.00%	Nov. 2020
Total other loans - primary government	\$ 147,044		
<b>Component units</b>			
D. Other loans			
Harrison County Development Commission			
MDA - Innovation Center	\$ 117,093	3.00%	Nov. 2021
Mississippi Coast Coliseum Commission			
BancorpSouth Bank - land purchase	2,999,334	4.75%	Dec. 2019
Total other loans	\$ 3,116,427		

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(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
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	7,315,000	4,564,558
2024-2028	38,069,000	18,516,219
2029-2033	21,445,000	11,953,700
2034-2038	14,765,000	7,876,439
2039-2043	18,880,000	3,969,983
2044-2045	8,900,000	304,281
Total	<u>\$ 137,910,000</u>	<u>\$ 68,074,376</u>

**B. Capital Leases – See Note 11**

**C. Other Loans**

Year ending September 30,	Other Loans	
	Principal	Interest
2019	\$ 63,234	\$ 3,318
2020	65,156	1,396
2021	18,654	42
Total	<u>\$ 147,044</u>	<u>\$ 4,756</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
2019	\$ 3,029,194	\$ 74,982
2020	30,756	2,852
2021	30,249	1,929
2022	26,228	979
Total	<u>\$ 3,116,427</u>	<u>\$ 80,742</u>

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

The following is a summary of changes in long-term liabilities and obligations for governmental activities for the year ended September 30, 2018:

	Balance Oct. 1, 2017	Additions	Reductions	Balance Sept. 30, 2018	Amount Due Within One Year
Primary government					
Governmental activities:					
Compensated absences	\$ 2,482,323	\$ 151,437	\$ -	\$ 2,633,760	\$ 263,376
General obligation bonds	145,223,000	-	7,313,000	137,910,000	7,231,000
Capital leases	5,181,917	808,886	1,024,417	4,966,386	780,410
Other loans	206,977		59,933	147,044	63,234
Sub-total	153,094,217	960,323	8,397,350	145,657,190	8,338,020
<b>Less:</b>					
Deferred amounts on refundings	4,059,168		455,245	3,603,923	455,245
<b>Add:</b>					
Premium	4,069,613		319,398	3,750,215	319,398
Total primary government	<u>\$ 153,104,662</u>	<u>\$ 960,323</u>	<u>\$ 8,261,503</u>	<u>\$ 145,803,482</u>	<u>\$ 8,202,173</u>
Component units:					
Governmental Activities:					
Harrison County Development Commission					
Compensated absences	\$ 43,709	\$ 52,382	\$ 64,121	\$ 31,970	\$ 19,181
Other loans	146,082	-	28,989	117,093	29,860
Business-type Activities:					
Harrison County Development Commission					
Compensated absences	1,639	2,665	306	3,998	-
Mississippi Coast Coliseum Commission					
Compensated absences	93,158	5,692	-	98,850	-
Other loans	3,199,334	-	200,000	2,999,334	2,999,334
Total component units	<u>\$ 3,483,922</u>	<u>\$ 60,739</u>	<u>\$ 293,416</u>	<u>\$ 3,251,245</u>	<u>\$ 3,048,375</u>

Compensated absences will be paid from the funds from which the employees' salaries were paid which are generally the General Fund and Countywide Road Maintenance Fund 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, 2018, the amount of outstanding debt was equal to 6.19% of the latest property assessments.



**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

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 \$147,044 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, 2018:

Fund	Deficit Amount
Senior Companion Program Fund	\$ 10,075
Worthless Check Division Fund	1,743
Nate Fund	58,766
Jail Repair Fund	3,704,592
Biloxi River Boat Launch Fund	74,470

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

**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.

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
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Mississippi Coast Coliseum Commission - In 2017 the Commission was liable under contract with Aramark Sports and Entertainment Services, Inc. for food and beverage operation services. The contract between the Commission and Aramark ended on June 30, 2018. As of July 1, 2018, the Commission entered into a 10 year food and beverage operation agreement with Levy Premium Foodservice Limited Partnership that ends on June 30, 2028.

The Commission is contingently liable under a contract with Levy Premium Foodservice Limited Partnership whereby Levy agrees to make capital investments to the Coliseum over a five year period and the Coliseum agrees to an early termination fee to the vendor's contract. If the Agreement for Levy 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 Levy, in a single lump sum payment, the unamortized value of the Capital Investment and Additional Investment (amortizing on an annual straight line basis over the Term from the time the portion of such investment is made, with no amortization for partial contract years). The early termination fee balance at September 30, 2018 was \$671,559.

**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.

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.

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

The total amount outstanding as of September 30, 2018, is as follows:

Issue	Amount Outstanding
Mississippi Development Bank Bond, Series 2009B	\$ 63,295,000
Mississippi Development Bank Bond, Series 2013A	53,730,000
Total	

**18. Effect of Deferred Amounts on Net Position**

**A. Primary Government**

The governmental activities' unrestricted net position amount of \$(116,736,748) 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 \$1,427,741 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, 2019. The \$421,928 balance of the deferred outflow of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next 3 years. The \$2,197,540 balance of the deferred inflow of resources related to pension at September 30, 2018, will be recognized in pension expense over the next 4 years.

The governmental activities' unrestricted net position amount of \$(116,736,748) includes the effect of deferring the recognition of revenue from deferred inflow from property taxes. The \$53,678,715 balance of the deferred inflow of resources related to pension at September 30, 2018, will be recognized as revenue and will increase the unrestricted net position over the next few years.

The governmental activities' unrestricted net position amount of \$(116,736,748) includes the effect of deferring the recognition of expenditures resulting from an advance refunding of County non-capital debt. \$599,178 of the \$3,603,923 balance of deferred outflows of resources at September 30, 2018, will be recognized as an expense and will decrease the unrestricted net position over the next 14 years.

The governmental activities' net investment in capital assets net position of \$85,270,908 includes the effect of deferring the recognition of expenditures resulting for an advance refunding of County capital debt. \$3,004,744 of the \$3,603,923 balance of deferred outflows of resources at September 30, 2018, will be recognized as an expense and will decrease the net investment in capital assets net position over the next 12 years.

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
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**B. Component units**

The component units unrestricted net position amount of \$12,219,500 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 \$72,401 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, 2019. The \$294,199 balance of the deferred outflow of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next 3 years. The \$169,449 balance of the deferred inflow of resources related to pension at September 30, 2018, will be recognized in pension expense over the next 4 years.

**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 \$918,750 in fiscal year 2018. 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 County 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 \$3,675,041 for solid waste and wastewater treatment services and \$325,216 for water service in fiscal year 2018. 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, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

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 2018. 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. The Bureau was renamed Visit Mississippi Gulf Coast in 2016 and Coastal Mississippi in 2019. Funding for Visit Mississippi Gulf Coast is provided primarily through a hotel tax levied on rooms within Harrison County. The separately issued financial statements of Visit Mississippi Gulf Coast can be obtained by calling (228) 896-6699.

**20. Jointly Governed Organizations**

The County participates in the following jointly governed organizations:

The Gulf Coast Mental Health 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 \$1,259,000 for the support of the agency in fiscal year ending September 30, 2018.

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 \$24,416 for the support of the agency in the fiscal year ended September 30, 2018.

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 \$10,198,462 for maintenance and support of the college in fiscal year 2018.

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

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 \$- for support of the district in fiscal year 2018.

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 2018.

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 \$430,967 for the support of the authority in the fiscal year ending September 30, 2018.

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 2018.

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 provided no financial support in fiscal year 2018.

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, 2018  
(Continued)

**21. Derivatives and Interest Rate Swaps**

The County is party to contracts for derivative instruments as discussed below.

At September 30, 2018, the County has the following derivative instruments outstanding:

Item	Notional Amount	Fair Value		Changes in Fair Value	
		Classification	Amount	Classification	Amount
A	\$ 40,000,000	Debt	\$ (15,851,024)	Deferred inflow	\$ 4,895,578
B	27,525,000	Debt	(801,050)	Deferred inflow	1,182,703
C	11,695,000	Debt	(974,742)	Deferred inflow	871,966

*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, 2018:

Item	Derivative Type	Counterparty Credit Rating	Objective	Notional Amount	Effective Date	Maturity Date	Terms
A	Pay fixed interest rate swap	A3/BBB+	Hedge changes in cash flows on Series 2010B	\$40,000,000	1/2/2010	1/2/2045	Pay 4.365%, receive 70% of LIBOR
B	Pay fixed interest rate swap	A3/BBB+	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
C	Pay fixed interest rate swap	Aa2/A+	Hedge changes in cash flows on Series 2008B	11,695,000	10/9/2008	10/1/2031	Pay 4.301% receive variable rate of LIBOR

- 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:

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

\$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 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.



**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

\$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, 2018, the total outstanding principal balance is \$11,695,000. 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, 2018  
(Continued)

Derivative Instrument Risks:

*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, 2018, 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.

*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, 2018  
(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.

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

**22. Tax Abatements**

As of September 30, 2018, 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 (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

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

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 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, 2018:

<u>Program</u>	<u>Ad Valorem Taxes Abated/Exempted</u>
Tax Incentives for Economic Development and Residential Improvement	\$ 855,854
Industrial Exemption – Real property	86,338
Industrial Exemption – Personal property	57,039
Free Port Warehouse	196,687

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

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.

As of September 30, 2018, the County has the following tax increment financing commitments:

On August 10, 2016, the Harrison County Board of Supervisors entered into a tax 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, originally 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.

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.

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 funding 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.

On June 25, 2014, the Harrison County Board of Supervisors entered into a tax pledge agreement with the City of Biloxi to finance the City's Tax Increment Junior Lien Limited Obligation Bonds for the purpose of funding public infrastructure improvements related to the Margaritaville Casino Project. The County is responsible for up to 50% of the increased assessed value of real and personal property within the TIF district.

On June 30, 2017, the Harrison County Board of Supervisors entered into a tax pledge agreement with the City of Biloxi to finance the City's Tax Increment Limited Obligation Bonds for the purpose of funding public infrastructure improvements related to the Neighborhood Wal-Mart Project. The County is responsible for up to 50% of the increased assessed value of real and personal property within the TIF district.

The County's payments on these commitments 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, 2018  
(Continued)

The following table reflects the amount of ad valorem taxes abated or offset for the year ended September 30, 2018:

City	TIF Issue	Terms of TIF Agreement	Amount of Taxes Allocated for
City of Biloxi	2016 Refunding TIF	County will match 43% of debt payments with increase in ad valorem and personal property within TIF district	\$ 1,075,242
City of Biloxi	Margaritaville TIF	County will forgo 50% of increase in ad valorem and personal property tax within tax district	7,329
City of Biloxi	Wal-Mart Neighborhood TIF	County will forgo 50% of increase in ad valorem and personal property tax within tax district	51,432
Total City of Biloxi			<u>1,134,003</u>
City of D'Iberville	1999 Lowes TIF	County will forgo increase in ad valorem and personal property tax within TIF District	126,750
City of D'Iberville	2004 Walmart TIF	County will match debt payments up to \$1,000,000 with increase in ad valorem and personal property tax	99,172
City of D'Iberville	Promenade TIF	County will forgo 50% of increase in ad valorem and personal property tax within tax district	184,818
Total City of D'Iberville			<u>410,740</u>
Total ad valorem forgone for TIF debt payments			<u><u>\$ 1,544,743</u></u>

**Harrison County, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2018  
(Continued)

**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 August 9, 2019, (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.

On December 14, 2018, the County issued Harrison County, Mississippi Public Improvement General Obligation Bond, Series 2018, in the amount of \$15,000,000. Interest rates range from 3.59% to 6.0%. The bonds mature on December 1, 2033. The bonds were issued to provide financing for certain capital projects of the County, consisting of purchasing or erecting, equipping, repairing, reconstructing, remodeling and enlarging county buildings, courthouses, office buildings, jails, health centers, clinics, and related facilities, and the purchase of land therefor; purchasing, constructing, repairing, improving and equipping buildings for public libraries and purchasing land, equipment and books therefor; constructing, reconstructing, and repairing roads, highways and bridges, and acquiring the necessary land, including land for road building materials, acquiring rights-of-way therefor; and the purchase of heavy construction equipment and accessories thereto reasonably required to construct, repair and renovate roads, highways and bridges and approaches thereto within the County; constructing, reconstructing or repairing boat landing ramps and wharves fronting on the Mississippi Sound or the Gulf of Mexico and on the banks or shores of the inland waters, levees, bays and bayous of the County; and for other authorized purposes under the County Bond Act (collectively, the "County Project").



## **Required Supplementary Information**

**Harrison County, Mississippi**  
**Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)- UNAUDITED**  
**General Fund**  
For the Fiscal Year Ended September 30, 2018

	Budgeted Amounts		Actual- Budgetary Basis	Variances- Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Property taxes	\$ 45,719,927	\$ 46,526,669	\$ 46,526,669	\$ 806,742	\$ -
Licenses, commissions and other revenue	3,302,600	4,290,137	4,290,137	987,537	-
Fines and forfeitures	752,525	896,217	896,217	143,692	-
Intergovernmental revenue	7,211,360	9,133,818	9,133,818	1,922,458	-
Charges for services	1,750,000	3,405,522	3,405,522	1,655,522	-
Interest income	97,000	521,589	521,589	424,589	-
Miscellaneous revenues	1,769,750	1,260,868	1,269,469	(508,882)	8,601
Total revenues	60,603,162	66,034,820	66,043,421	5,431,658	8,601
<b>Expenditures</b>					
Current					
General government	30,059,991	29,857,927	29,857,927	202,064	-
Public safety	26,323,896	25,851,251	25,851,251	472,645	-
Public works	52,277	57,381	57,381	(5,104)	-
Health and welfare	4,789,226	4,691,107	4,691,107	98,119	-
Culture and recreation	3,223,475	3,023,341	3,023,341	200,134	-
Conservation of natural resources	147,501	149,078	149,078	(1,577)	-
Economic development and assistance	46,777	46,776	46,776	1	-
Debt service	1,609,467	1,612,260	1,612,260	(2,793)	-
Total expenditures	66,252,610	65,289,121	65,289,121	963,489	-
Excess of revenues over/(under)expenditures	(5,649,448)	745,699	754,300	6,395,147	8,601
<b>Other financing sources (uses)</b>					
Proceeds of capital lease financing	700,000	808,886	808,886	108,886	-
Transfers in	4,561,322	6,241,483	6,232,882	1,680,161	(8,601)
Transfers out	(1,119,500)	(2,154,695)	(2,154,695)	(1,035,195)	-
Total other financing sources (uses)	4,141,822	4,895,674	4,887,073	753,852	(8,601)
Net change in fund balances	(1,507,626)	5,641,373	5,641,373	7,148,999	-
Fund balances, beginning of year	20,957,966	20,957,966	20,957,966	-	-
Fund balances, end of year	\$ 19,450,340	\$ 26,599,339	\$ 26,599,339	\$ 7,148,999	\$ -

*The accompanying notes are an integral part of the financial statements.*

**Harrison County, Mississippi**  
**Notes to the Required Supplementary Information-Budgetary Schedules**  
For the Year Ended September 30, 2018

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 and Tax Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, the Board 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:

	<u>General Fund</u>
Budget (cash basis)	\$ 26,599,339
Increase (decrease)	
Net adjustments for revenues	3,859,808
Net adjustments for expenditures	<u>(2,358,792)</u>
GAAP basis	<u><u>\$ 28,100,355</u></u>

Any line item that had an excess of actual over budget was the result of audit reclassification entries.

Harrison County, Mississippi

Schedule of Changes in the County's Total OPEB Liability and Related Ratios Last 10 Fiscal Years \*  
September 30, 2018

	9/30/2018
Total OPEB Liability	
Service cost	\$ 325,938
Interest	132,237
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments	(58,269)
Net change in total OPEB liability	\$ 399,906
Total OPEB Liability- beginning	** \$ 3,957,151
Total OPEB Liability- ending	\$ 4,357,057
Covered payroll	\$ 26,070,069
Total OPEB as a % of covered payroll	16.7%

\* This schedule is presented to illustrate the requirement to show information for 10 years.

However, GASB Statement No. 75 was implemented for the fiscal year beginning after June 15, 2017, and until a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

\*\*As restated due to the implementation of GASB 75

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria in GASB Statement No 75, paragraph 4.

*The accompanying notes are an integral part of the financial statements.*

**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, 2018

	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset)	0.52%	0.51%	0.51%	0.50%	0.49%
County's proportionate share of the net pension liability (asset)	\$ 86,491,449	\$ 84,779,309	\$ 91,098,735	\$ 78,835,943	N/A
County's covered payroll	\$ 30,596,078	\$ 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	282.69%	259.35%	280.67%	249.96%	N/A
Plan fiduciary net position as a percentage of the total pension liability	62.54%	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 are an integral part of the financial statements.*

**Harrison County, Mississippi**  
**Schedule of the County's Contributions Last 10 Fiscal Years\***  
For the Year Ended September 30, 2018

	2018	2017	2016	2015
Contractually required contribution	\$ 5,303,343	\$ 5,126,684	\$ 5,338,324	\$ 4,996,050
Contributions in relation to the contractually required contribution	\$ 5,303,343	\$ 5,126,684	\$ 5,338,324	\$ 4,996,050
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 33,671,997	\$ 32,550,375	\$ 33,894,121	\$ 31,720,952
Contributions as a percentage of covered payroll	15.75%	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 are an integral part of the financial statements.*

**Harrison County, Mississippi**  
Notes to the Required Supplementary Information- Pension Schedules  
For the Year Ended September 30, 2018

Pension Schedules

A. Changes of assumptions.

2018

- No changes in assumptions.

2017

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Collar 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 Expenditures of Federal Awards**  
For the Fiscal Year Ended September 30, 2018

Grantor Federal Agency / Pass-Through Agency / Program Title	CFDA Number	Contract/Grant 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	\$ 38,101
Passed through the Mississippi State Treasurer's Office			
Schools and Roads - Grants to States	10.665		65,037
Emergency Watershed Protection Program	10.923	68-4423-17-218	26,810
Total U.S. Department of Agriculture			<u>129,948</u>
U.S. Department of Commerce			
Passed through the Mississippi Department of Environmental Quality			
Coastal Zone Management Administration Awards	11.419	SW1112	9,843
Coastal Zone Management Administration Awards	11.419	SW1155	18,950
Coastal Zone Management Administration Awards	11.419	SWC511	70,000
Total U.S. Department of Commerce			<u>98,793</u>
U.S. Department of Housing and Urban Development			
Passed through the Mississippi Development Authority			
Community Development Block Grants/State's Program	14.228	R-103-024-03-KED	2,500
Passed through the City of Gulfport, Mississippi			
HOME Investment Partnership Program	14.239	M-16-DC-280200	24,000
Total U.S. Department of Housing and Urban Development			<u>26,500</u>
U.S. Department of Interior			
Payments in Lieu of Taxes	15.226		126,982
Total U.S. Department of Interior			<u>126,982</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	1,056
Passed through the Mississippi Department of Public Safety			
Edward Byrne Memorial Justice Assistance Grant	16.738	16-DC-1241	23,900
Passed through the City of Gulfport, MS			
Edward Byrne Memorial Justice Assistance Grant	16.738	2016-DJ-BX-0622	1,995
Equitable Sharing Program	16.922	N/A	831,447
Total U.S. Department of Justice			<u>858,398</u>
U.S. Department of Transportation - Federal Highway Administration/			
Passed through Mississippi Department of Transportation			
Highway Planning and Construction Grant	20.205	BR NBIS 089 B	12,650
Highway Planning and Construction Grant	20.205	BR NBIS 092 B	17,830
Highway Planning and Construction Grant	20.205	STPBR 9044 1 B	3,994
Passed through the Mississippi Department of Public Safety State and			
Community Highway Safety	20.600	OP-2018-OP-12-41	43,943
Total U.S. Department of Transportation			<u>78,417</u>

**Harrison County, Mississippi**  
**Schedule of Expenditures of Federal Awards**  
For the Fiscal Year Ended September 30, 2018

Grantor Federal Agency / Pass-Through Agency / Program Title	CFDA Number	Contract/Grant Number	Federal Expenditures
U. S. Department of Education			
Passed through the Mississippi Department of Public Safety			
Education Research, Development and Dissemination Grant	84.305	18CA1241	1,600
Total U.S. Department of Education			<u>1,600</u>
U. S. Department of Health and Human Services			
Passed through the South Mississippi Planning and Development District			
Special Programs for the Aging-Title III, Part B-Grants for			
Supportive Services and Senior Centers	93.044	N/A	45,391
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	NU50CK000414-03-04	71,017
Social Services Block Grant	93.667	N/A	35,536
Total U.S. Department of Health and Human Services			<u>151,944</u>
Corporation for National and Community Service			
Retired and Senior Volunteer Program	94.002	2017-OPEI-P74-OPO-22221-4101	34,379
Retired and Senior Volunteer Program	94.002	2018-OPEI-P74-OPO-22221-4101	46,576
Senior Companion Program	94.016	17SCSMS003	180,475
Total Corporation for National and Community Service			<u>261,430</u>
Executive Office of the President			
High Intensity Drug Trafficking Area	95.001	G17GC0003A	89,372
Total Executive Office of the President			<u>89,372</u>
U.S. Department of Homeland Security			
Passed through the Mississippi Emergency Management Agency			
Public Assistance Disaster Grants	97.036	4350DR-MS	188,391
Emergency Management Performance Grants	97.042	EMA-2018-EP-00005	137,117
Homeland Security Grant Program	97.067	16HS024T	8,126
Homeland Security Grant Program	97.067	17HS024T	3,672
Total U.S. Department of Homeland Security			<u>337,306</u>
Total Expenditures of Federal Awards			<u>\$ 2,160,690</u>

\* Denotes major federal award program

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

**Harrison County, Mississippi**  
**Notes to Schedule of Expenditures of Federal Awards**  
For the Fiscal Year Ended September 30, 2018

**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Harrison County, Mississippi under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Harrison County, Mississippi, it is not intended to and does not present the financial position, results of operations and cash flows of Harrison County, Mississippi.

**Note B - Summary of Significant Accounting Policies**

**1. General**

The Schedule of Expenditures of Federal Awards has been prepared using the modified accrual basis of accounting. The accrual basis of accounting recognizes revenues when they are earned and expenditures when they are incurred. The expenditures are recognized following the cost principles contained in the Uniform Guidance.

**2. Contingency**

The grant revenue amounts received are subject to audit and adjustment. If any expenditures are disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the County. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal laws and regulations.

**3. Loan and Loan Guarantees**

In accordance with the Uniform Guidance, loans and loan guarantees include new loans made during the year, plus prior year loans for which the federal government imposes continuing compliance requirements.

**4. Indirect Cost Rate**

The auditee has not elected to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

## **Other Information**

**Harrison County, Mississippi**  
**Schedule of Surety Bonds for County Officials**  
For the Year Ended September 30, 2018  
Unaudited

Name	Position	Company	Bond
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. Rockco	Supervisor District 5	Fidelity and Deposit Company	\$ 100,000
Pamela J. Ulrich	County Administrator	Fidelity and Deposit Company	\$ 100,000
John T. 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
Judy Williams	Asst. Purchase Clerk	Fidelity and Deposit Company	\$ 50,000
LaSonya R. Plainer	Asst. Purchase Clerk	Fidelity and Deposit Company	\$ 50,000
Shannon D. Carnes	Receiving Clerk	Fidelity and Deposit Company	\$ 75,000
Elizabeth Tiblier	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Dana Williams	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Gloria Davis	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Margaret Hosli	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Tommy Allen	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Beth Rushing	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Regina Scarborough	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Paula Robinson	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Pete Harper	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Cindy Simmons	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Yolanda Lewis	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Brenda Barefoot	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Mary Katherine Rogers	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Tina Moss	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Anastasia Lognion	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Tywana Blackston	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
April Jacobs	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Susan Wildin	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Blaine Tiblier	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Lori Roberts	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Kelly Henderson	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Danny Boudreaux	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Joseph Spires	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Andy Mosley	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Kristy Bankston	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Curtis E. Pujol	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Michelle Watts	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Donna Matthews	Asst Receiving Clerk	Fidelity and Deposit Company	\$ 50,000
Brooke LaBega	Inventory Control Clerk	Fidelity and Deposit Company	\$ 75,000
Timothy Smith	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
Olivia Comaduran	Deputy Circuit Clerk	Fidelity and Deposit Company	\$ 50,000
April Davis	Deputy Circuit Clerk	Fidelity and Deposit Company	\$ 50,000
Carrie Davis	Deputy Circuit Clerk	Fidelity and Deposit Company	\$ 50,000
Joseph Eades	Deputy Circuit Clerk	Fidelity and Deposit Company	\$ 50,000
Reagan Feeley	Deputy Circuit Clerk	Fidelity and Deposit Company	\$ 50,000

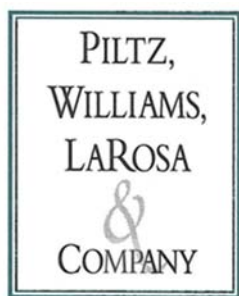
**Harrison County, Mississippi**  
**Schedule of Surety Bonds for County Officials**  
For the Year Ended September 30, 2018  
Unaudited

Name	Position	Company	Bond
Coleen Guardanapo	Deputy Circuit Clerk	Fidelity and Deposit Company	\$ 50,000
Yokeisha Harper	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
Ashley Morgan	Deputy Circuit Clerk	Fidelity and Deposit Company	\$ 50,000
Dona Patterson	Deputy Circuit Clerk	Fidelity and Deposit Company	\$ 50,000
Barry Pickreign	Deputy Circuit Clerk	Fidelity and Deposit Company	\$ 50,000
Stephanie Ritter	Deputy Circuit Clerk	Fidelity and Deposit Company	\$ 50,000
Toni Ross	Deputy Circuit Clerk	Fidelity and Deposit Company	\$ 50,000
Patricia Skinner	Deputy Circuit Clerk	Fidelity and Deposit Company	\$ 50,000
Angela Slade	Deputy Circuit Clerk	Fidelity and Deposit Company	\$ 50,000
Jennifer Smith	Deputy Circuit Clerk	Fidelity and Deposit Company	\$ 50,000
Kamisha Taylor	Deputy Circuit Clerk	Fidelity and Deposit Company	\$ 50,000
Chrishona Wade	Deputy Circuit Clerk	Fidelity and Deposit Company	\$ 50,000
Justin Wetzel	Deputy Circuit Clerk	Fidelity and Deposit Company	\$ 50,000
Brenda Whitworth	Deputy Circuit Clerk	Fidelity and Deposit Company	\$ 50,000
Troy Peterson	Sheriff	Fidelity and Deposit Company	\$ 100,000
	Deputy Sheriffs	Western Surety Company	\$ 50,000
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
Krisit Brackett	Deputy Justice Clerks	Fidelity and Deposit Company	\$ 50,000
Elizabeth Cash	Deputy Justice Clerks	Fidelity and Deposit Company	\$ 50,000
Allan Cramer	Deputy Justice Clerks	Fidelity and Deposit Company	\$ 50,000
Tiffany Duvic	Deputy Justice Clerks	Fidelity and Deposit Company	\$ 50,000
Cynthia Eighmey	Deputy Justice Clerks	Fidelity and Deposit Company	\$ 50,000
Erin Gassman	Deputy Justice Clerks	Fidelity and Deposit Company	\$ 50,000
Devin Gist	Deputy Justice Clerks	Fidelity and Deposit Company	\$ 50,000
Judy E Irons	Deputy Justice Clerks	Fidelity and Deposit Company	\$ 50,000
Tammy Ladner	Deputy Justice Clerks	Fidelity and Deposit Company	\$ 50,000
Michele Marroy	Deputy Justice Clerks	Fidelity and Deposit Company	\$ 50,000
Jacqueline McBride	Deputy Justice Clerks	Fidelity and Deposit Company	\$ 50,000
Amanda McKay	Deputy Justice Clerks	Fidelity and Deposit Company	\$ 50,000
Rebecca Meakins	Deputy Justice Clerks	Fidelity and Deposit Company	\$ 50,000
Melanie Romero	Deputy Justice Clerks	Fidelity and Deposit Company	\$ 50,000
Merry Savoy	Deputy Justice Clerks	Fidelity and Deposit Company	\$ 50,000
Melissa Randall Yarber	Deputy Justice Clerks	Fidelity and Deposit Company	\$ 50,000
David V. LaRosa Sr.	Tax Collector	Fidelity and Deposit Company	\$ 100,000
	Deputy Tax Collectors	Fidelity and Deposit Company	\$ 50,000
E. T. Flurry	Tax Assessor	Fidelity and Deposit Company	\$ 100,000
	Deputy Tax Assessors	Fidelity and Deposit Company	\$ 50,000
	Deputy Tax Assessors	Fidelity and Deposit Company	\$50,000

## **Special Reports**

**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***





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Jordan R. Church, CPA

Gerald Piltz, CPA (1925-2013)  
Stanford A. Williams, Jr., CPA (1935-2017)  
Sam J. LaRosa, Jr., CPA (Retired)  
William S. Thompson, CPA (Retired)  
Gene M. Clark, Jr., CPA (Retired)  
Darrell L. Galey, CPA (Retired)  
Margaret D. Closson, CPA (Retired)  
Stephen P. Theobald, CPA, CVA  
Michael D. O'Neill, CPA

**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***

Members of the Board of Supervisors  
Harrison, 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 Harrison County, Mississippi as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Harrison, Mississippi's basic financial statements, and have issued our report thereon dated August 9, 2019.

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

**Internal Control over Financial Reporting**

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

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or

detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: **2018-001, 2018-002 and 2018-004.**

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 deficiencies described in the accompany schedule of findings and questioned costs to be a significant deficiency: **2018-003.**

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Harrison County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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*.

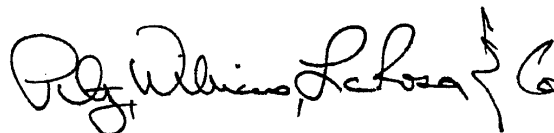
We noted certain matters that we reported to the management of Harrison County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated August 9, 2019, 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**

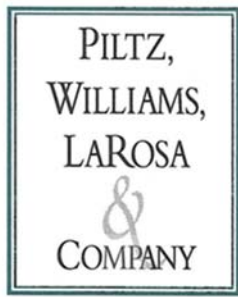
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in 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.



Certified Public Accountants

Biloxi, Mississippi  
August 9, 2019

**Independent Auditors' Report on Compliance for  
Each Major Program and on Internal Control Over  
Compliance Required by the Uniform Guidance**



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## **Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance required by the Uniform Guidance**

Members of the Board of Supervisors  
Harrison County, Mississippi

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

We have audited the 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 programs for the year ended September 30, 2018. Harrison County, Mississippi's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Harrison County, Mississippi, 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 each major federal program. However, our audit does not provide a legal determination of Harrison County, Mississippi's compliance.

## Opinion on Each Major Federal Program

In our opinion, Harrison County, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

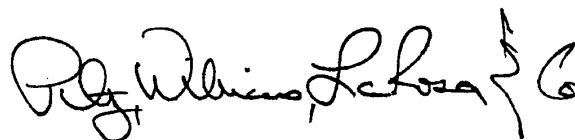
## Report on Internal Control over Compliance

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 the Harrison County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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.

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.

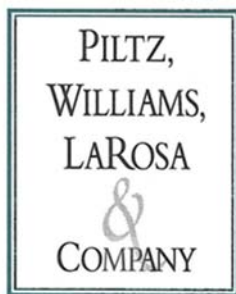
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However,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



Certified Public Accountants

Biloxi, Mississippi  
August 9, 2019

**Independent Accountants' Report On Central Purchasing System,  
Inventory Control System And Purchase Clerk Schedules  
(Required By Section 31-7-115, Miss. Code Ann. (1972))**



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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))**

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, 2018. 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: The County could incur a liability that was not properly approved.

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

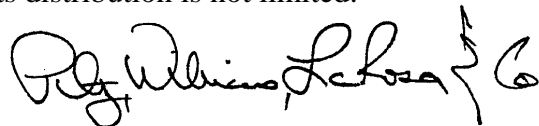
The purchase clerk has, and will continue, to have discussions with various county Department Heads regarding the liability of materials being picked-up prior to issuance of a purchase order. In addition, discussion of the proper county procurement procedures are, and will continue to be addressed with county Department Heads. The purchase clerk also contacts management at vendors that could have invoices dated prior to purchase orders to discuss proper procurement procedures and resolve potential violations.

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, 2018.

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.



Certified Public Accountants

Biloxi, Mississippi  
August 9, 2019



**Harrison County, Mississippi**  
**Schedule of Purchases from Other Than the Lowest Bidder**  
For the Year Ended September 30, 2018

Date Purchased	Item Purchased	Bid Accepted	Vendor	Lowest Bid	Reason for Accepting Other Than the Lowest Bid
12/11/17	1-2010 Titan II	\$ 29,510	Alliance Bus Group	\$ 26,500	Lowest quote did not include all equipment required for quote
03/09/18	1 Trailer 8' x 20'	7,000	Millerco, Inc.	6,590	Better value for money (low bid smaller and older + FOB from Ohio)
08/06/18	Toro Skid Steer Track Dingo Walk Behind with attachments	15,000	Department of Finance and Administration	10,897	Lowest quote did not include all equipment required for quote

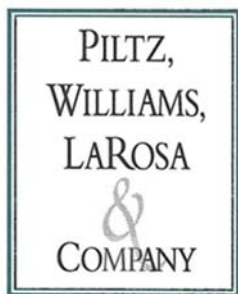
**Harrison County, Mississippi**  
**Schedule of Emergency Purchases**  
For the Year Ended September 30, 2018

Date Purchased	Item Purchased	Amount		Vendor	Reason for Emergency Purchase
		Paid			
10/17/17	M1 and M2 Contractors		\$	Engineered Cooling Services, Inc.	Gulfport courthouse chiller pad needed repair
11/14/17	Repair parts and labor on motor grader asset #16019	19,800		G&S Holdings, LLC	Motor grader replaced so sand won't blow onto Highway 90
01/17/18	Remove and replace 3 boiler feeder circuits at DHS	5,337		Millerco Inc.	Electrical shorted out; no heat to building
03/07/18	1 Directional Bore 3" Pipe for Power to I110 Walking Pier	14,000		Jay Lee Company	Water main cut main power from Seal Ave, Biloxi to I110 Boardwalk
03/12/18	Emergency repair of feeders for I110 Lighting loop	6,182		Millerco, Inc.	Repairs of feeders for I110
03/13/18	Repair of Pilings on Bent 3 and 5 Discover Bay Bridge	19,200		Erik Kurchiwski	Discovery Bay Bridge to close due to damage below water line;
05/02/18	Emergency Purchase of a Commercial Washer for Youth Detention	8,490		Commercial & Coin Laundry Equip.	Washing machine broke at youth detention
05/08/18	Repair leaks to West Chiller and Refrigerant at Gpt	22,287		Engineered Cooling Services Inc.	Leaks to the chiller at Gulfport courthouse
05/25/18	Replace Chiller at Gulfport Courthouse	308,694		Engineered Cooling Services Inc.	Existing unit has leak and not cooling properly
07/09/18	Cylance Recurring Cost	13,645		Metrix Solutions	Virus hit network that current antivirus program could not stop
07/20/18	Emergency for Virus Mitigation	24,712		Sergeant Laboratories Inc.	Device to give the County complete visibility if another virus arises
08/06/18	Repair Harrison County Garage Passenger Elevator at Courthouse	5,292		Coast Elevator Co.	Lightening damaged garage elevator
08/16/18	30" RCP Class III B Wall Five Oaks Emergency Drainage Project	18,700		Design Precaset & Pipe, Inc.	Sink hole and shoulder of road washing away due to severe weather
08/16/18	Repair damage to right front side of fire truck	5,070		Bradford's Body & Paint Shop	Engine 4 had tire blow out causing major damage to tire and fender
08/16/18	Replaced Existing Hydraulic Pump Fluids and Flex Hose on West Elevator	8,543		Coast Elevator Co.	Courthouse elevator hydraulic pump leaking oil

**Harrison County, Mississippi**  
**Schedule of Purchases Made Noncompetitively from a Sole Source**  
For the Year Ended September 30, 2018

Date Purchased	Item Purchased	Amount		Vendor
			Paid	
03/22/18	Repair accident damage vehicle 1423	\$	5,364	Kountry Kolors Automotive Collision Center
09/02/18	Diesel Quotes for the Month of September 2018		3,801	Keithco Petroleum

**Limited Internal Control and Compliance  
Review Management Report**



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## Limited Internal Control and Compliance Review Management Report

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, 2018, 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 August 9, 2019, 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: Yes

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, 2018.

Cause: The road plan was tabled in a January board meeting and lack of oversight failed to adopt by February 1, 2018.

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.

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 in accordance with Mississippi state statute.

2. Road Manager was not properly bonded at September 30, 2018.

Repeat Finding: No

Criteria: Mississippi Law requires that the Road Manager be properly bonded.

Condition: The Road Manager was not bonded at September 30, 2018.

Cause: A new Road Manager was appointed in August 2018 but was not bonded until June 2019.

Effect: Mississippi law was not followed.

Recommendation: We recommend that the County implement policies and procedures to ensure that Mississippi law is followed.

Response

Management will ensure that all statutorily required bonded positions are properly bonded in accordance with Mississippi state statutes.

3. Budget to Actual reports are not reviewed by the Board of Supervisors on a monthly basis.

Repeat Finding: No

Criteria: Mississippi Law requires for budget to actual reports to be presented to the Board on a monthly basis.

Condition: Budget to actual reports are not presented to the Board monthly.

Cause: Revenues reports are presented monthly, but budget to actual reports containing both revenues and expenses are presented to the Board quarterly.

Effect: Mississippi law was not followed.

Recommendation: We recommend that the County implement policies and procedures to ensure that Mississippi law is followed.

Response

Management will ensure that monthly budget to actual revenue and expenditure reports are presented to the Board of Supervisors in accordance with Mississippi state statute

Tax Collector

4. Deputy tax collector salary exceeded tax collector salary

Repeat Finding: No

Criteria: Mississippi Code 27-1-9 requires that the deputy tax collector's salary be less than the tax collector's salary.

Condition: The deputy tax collector's salary exceeded the tax collector's salary.

Cause: Approved overtime pay caused deputy tax collector's salary to exceed tax collector's salary.

Effect: Mississippi law was not followed.

Recommendation: We recommend that the Tax Collector's office implement policies and procedures to ensure that Mississippi law is followed.

Response

The Tax Collector will implement policy and procedures to review the department's payroll periodically during the calendar year to ensure that payroll is in line with the department budget and that no one's salary exceeds the Tax Collector's salary in accordance with state statute.

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.

**Harrison County, Mississippi**  
**Schedule of Findings and Questioned Costs**  
For the Year Ended September 30, 2018

**Section 1 – Summary of Auditors’ Results**

1. Type of auditors’ 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. The audit disclosed material weaknesses and significant deficiencies over financial reporting.
3. The audit did not disclose any noncompliance which is material to the basic financial statements.
4. The audit did not disclose any material weaknesses or significant deficiencies in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit did not disclose any audit findings that are required to be reported in accordance with 2 CFR section 200.516(a)
7. The major programs were:
- |  |
|--|
| Public Assistance Disaster Grant CFDA # 97.036 |
| Equitable Sharing Program Grant CFDA # 16.922  |
8. The dollar threshold used to distinguish between Type A and Type B Programs was \$750,000.
9. The auditee did not qualify as a low-risk auditee.

**Section 2 – Finding Relating to the Financial Statements**

Justice Court

Material Weakness

<b>2018-001</b>	<u>The Justice Court Clerk aging schedule for fines receivable does not accurately reflect receivables due to the County.</u>
Repeat Finding	Yes 2017-002
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.



**Harrison County, Mississippi**  
**Schedule of Findings and Questioned Costs**  
For the Year Ended September 30, 2018  
(Continued)

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 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

**2018-002**      The Justice court is inconsistently assessing collection fees for delinquent payments and there were “unidentified funds” in the cash accounts.

Repeat Finding	Yes 2017-003
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.
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.

**Harrison County, Mississippi**  
**Schedule of Findings and Questioned Costs**  
For the Year Ended September 30, 2018  
(Continued)

Justice Court

Significant Deficiency

<b>2018-003</b>	<u>There is a deficiency in internal control in the Deputy Justice Court Clerk's office.</u>
Repeat Finding	No
Condition	There is a lack of separation of duties and supervision in the Justice Court Clerk department.
Cause	During audit walkthroughs, it was noted that the Deputy Justice Court Clerk counts cash, writes up deposits, initiates check runs, signs checks, reconciles the bank account, has the capability to void transactions, and is in charge of tracking receipt number sequences. The Justice Court Clerk reviews bank reconciliations and generates a monthly balance report, but there is a lack of oversight of transactions prior to deposit.
Effect	There is a risk that transactions could be voided or not recorded and not deposited. There is also a risk that improper checks could be written.
Recommendation	The Justice Court Clerk needs to implement oversight and control procedures and limit the duties of the Deputy Justice Court Clerk.

Circuit Clerk

Material Weakness

<b>2018-004</b>	<u>The Circuit Court aging schedule for fines receivable does not accurately reflect receivables due to the County.</u>
Repeat Finding	Yes 2017-004
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.

**Harrison County, Mississippi**  
**Schedule of Findings and Questioned Costs**  
For the Year Ended September 30, 2018  
(Continued)

Effect	The lack of timely information could result in the loss of public funds by failing to collect on valid accounts.
Recommendation	After seeking Board approval, the 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.

**Section 3 – Finding and Questioned Costs Relating to Major Federal Awards**

None

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

# HARRISON COUNTY

## BOARD OF SUPERVISORS

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

TELEPHONE: 228-865-4001



August 9, 2019

Piltz, Williams, LaRosa & Co.  
1077 Tommy Munro Drive  
Biloxi, MS 39532

Gentlemen:

Harrison County respectfully submits the following corrective action plan for the year ended September 30, 2018.

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

#### 2018-001 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 is currently in the process of converting to a new software system with Harris/Delta. We have been assured by the new company that all amounts due will be properly identified and we will be able to generate an accurate accounts receivable aging report.

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, 2019.

Contact Person Responsible for Corrective Action: Greg Illich, 228-865-4213

#### 2018-002 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 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 ensures the unidentified money amount doesn't change from month to month. The amount hasn't changed in the past seven years. Once Justice Court implements our new software we will settle the unidentified funds to the County Treasury prior to the end of the fiscal year.

Anticipated Completion Date: September 30, 2019.

Contact Person Responsible for Corrective Action: Greg Illich, 228-865-4213

#### 2018-003 Corrective Action Planned:

The Justice Court Clerk will implement policies and procedures to mitigate the lack of segregation of duties that the Chief Deputy Clerk performs monthly. This will be accomplished by the following:

The Justice Court Clerk will review and sign all disbursement checks issued by Chief Deputy prior to checks being released to Payee. The Justice Court Clerk will compare the check register each month against the disbursement register and the bank statement. The Justice Court Clerk will continue to review bank reconciliations and all voided receipts for accuracy. The Justice Court Clerk will continue to approve all interbank transfers completed by the Chief Deputy Clerk.

Anticipated Completion Date: September 30, 2019.

Contact Person Responsible for Corrective Action: Greg Illich, 228-865-4213

#### 2018-004 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 met with a representative from Delta Computer Systems (DCS) and discussed the possibility of implementing court software that DCS has created. Upon notification from the Harrison County IT Department that DCS' software creation is complete, the Circuit Clerk will be ready to switch to their accounting software that is capable of producing reports that are compliant with State Auditor requirements.

Anticipated Completion Date: September 30, 2019.

Contact Person Responsible for Corrective Action: Connie Ladner, 228-865-1635

## **Summary Schedule of Prior Audit Findings**

**Harrison County, Mississippi**  
**Summary Schedule of Prior Audit Findings**  
For the Year Ended September 30, 2018

There were no prior audit findings relative to federal awards.