



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

PHIL BRYANT
State Auditor

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

J. SCOTT SPEIGHTS, MBA, CIA, CGAP
Director, County Audit Section

HARRISON COUNTY, MISSISSIPPI

**Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2004**

HARRISON COUNTY

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HARRISON COUNTY

FINANCIAL SECTION

HARRISON COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON THE PRIMARY GOVERNMENT BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Members of the Board of Supervisors
Harrison County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Harrison County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of Harrison County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Harrison County, Mississippi, as of September 30, 2004, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information for the primary government of Harrison County, Mississippi, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2005, on our consideration of Harrison County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise Harrison County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 22, 2005, except for Note 17,
as to which the date is October 6, 2005.

HARRISON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

HARRISON COUNTY

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**HARRISON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

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, 2004. 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.

This discussion and analysis is a new element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Generally Accepted Accounting Principles do not require comparative data in the basic financial statements but certain comparative information between the current year and the prior year is required to be presented in Management's Discussion and Analysis and is provided herein.

FINANCIAL HIGHLIGHTS

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

Harrison County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a significant tax increase.

Total net assets increased \$4,974,545, which represents a 7.15% increase from the prior fiscal year. The County's ending cash balance decreased by \$651,304, which represents a 1.40% decrease from the prior fiscal year.

The County had \$92,286,449 in total revenues. Tax revenues account for \$44,615,067 or 48.3% of total revenues. State and Federal revenues in the form of reimbursements, shared revenue or grants, account for \$33,181,990 or 35.9% of total revenues.

The County had \$87,311,904 in total expenses. Expenses in the amount of \$32,404,733 were offset by grants, outside contributions or debt being issued. General revenues of \$59,881,716 were adequate to provide for the remainder of the expenses.

Harrison County's major fund, the General Fund, had \$49,964,348 in revenues and \$51,002,544 in expenditures. The General Fund's fund balance decreased \$1,101,973 from the prior year.

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

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

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

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

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

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type 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 interest on long-term debt.

The Government-wide Financial Statements can be found on pages 19 and 20 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 three categories: governmental funds, proprietary 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 and debt service.

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 22 and 24, respectively.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual* issued by the Mississippi Office of the State Auditor. 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 21-24 of this report.

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. 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-insured health insurance program. Because these services predominantly benefit governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. 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 25-27 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 Net Assets, which can be found on page 28 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 29-46 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.

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 can be found on pages 48-50 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on pages 53-55 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – Net assets may serve over time as a useful indicator of government's financial position. In the case of Harrison County, assets exceeded liabilities by \$74,324,171 as of September 30, 2004.

By far, the largest portion of the County's net assets (50%) 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 assets for the fiscal year ended September 30, 2004, as compared to fiscal year September 30, 2003.

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Current assets	\$ 93,091,501	\$ 91,001,481
Capital assets, net	<u>126,828,123</u>	<u>123,232,525</u>
Total assets	<u>219,919,624</u>	<u>214,234,006</u>
Current liabilities	41,982,580	42,875,490
Long-term debt outstanding	<u>103,612,873</u>	<u>101,792,145</u>
Total liabilities	<u>145,595,453</u>	<u>144,667,635</u>
Net assets:		
Invested in capital assets, net of related debt	36,801,873	38,088,851
Restricted	37,638,265	35,575,975
Unrestricted	<u>(115,967)</u>	<u>(4,098,455)</u>
Total net assets	<u>\$ 74,324,171</u>	<u>\$ 69,566,371</u>

Changes in Net Assets – Harrison County’s total revenues for the fiscal year ended September 30, 2004 was \$92,286,449. The total cost for all services provided was \$87,311,904. The increase in net assets was \$4,974,545. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2004, as compared to fiscal year ended September 30, 2003.

	<u>2004</u>	<u>2003</u>
Revenues:		
Program revenues		
Charges for services	\$9,537,326	\$10,614,924
Operating grants and contributions	18,739,812	12,183,921
Capital grants and contributions	4,127,595	8,058,122
General revenues		
Property taxes	44,615,067	44,248,166
Road & bridge privilege taxes	2,170,218	2,147,999
Grants and contributions not restricted to specific programs	10,314,583	9,678,158
Other	<u>2,781,848</u>	<u>4,232,093</u>
Total Revenues	<u>92,286,449</u>	<u>91,163,383</u>
Expenses:		
General government	21,557,049	22,075,326
Public safety	25,270,485	23,786,253
Public works	19,238,003	21,796,324
Health and welfare	5,022,035	5,197,493
Economic development	8,017,553	10,401,353
Interest on long term debt	4,068,192	4,080,828
Other expenses	<u>4,138,587</u>	<u>2,481,913</u>
Total Expenses	<u>87,311,904</u>	<u>89,819,490</u>
Increase in Net Assets	<u>\$4,974,545</u>	<u>\$1,343,893</u>

Governmental Activities – The following table presents the cost of five major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare and Economic Development.

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

	<u>Total</u> <u>Costs</u>	<u>Net</u> <u>Costs</u>
General Government	\$21,557,049	\$16,585,787
Public Safety	25,270,485	15,203,899
Public Works	19,238,003	8,104,887
Health & Welfare	5,022,035	3,464,506
Economic Development	8,017,553	3,397,176

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 \$43,955,238, a decrease of \$497,085. The primary reasons for this decrease are highlighted in the analysis of governmental activities.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$1,101,973. This decrease was primarily due to the use of beginning cash balances for operating expenditures.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

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

- Amendments were made in the General Fund for litigation settlements, health insurance increases, county portion of a parking garage for the Coast Transit Authority in downtown Gulfport, and for countywide communication radios for the Sheriff Department.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2004, Harrison County's total capital assets was \$126,828,123. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$3,595,598. The majority of this increase is due to the addition in the construction in progress category of assets related to the Gulfport courthouse renovation, E-911 System addition and the pedestrian pathway.

Total accumulated depreciation as of September 30, 2004 was \$95,099,271, including \$4,381,125 of deprecation expense for the year. The balance in total net capital assets was \$126,828,123 at year-end.

Additional information on Harrison County's capital assets can be found in note 7 on pages 36-38 of this report.

Debt Administration – At September 30, 2004, Harrison County had \$103,612,873 in long-term debt outstanding. This includes general obligation bonds, Mississippi Development Bank Loans, Mississippi Business Investment Act notes and obligations under capital lease. Of this debt, \$5,255,423 is due within one year.

During the year, Harrison County issued \$15,000,000 Special Obligation Bonds dated December 30, 2003 to provide funds for the prepayment of the County's \$15,000,000 Promissory Note dated December 18, 2000. The obligations of the County are not general obligations and do not constitute a pledge of the full faith and credit of the County. Principal and interest payments will be made from the proceeds of a surcharge on the phone bills in the County.

During the year, Harrison County made three draws totaling \$1,354,500 on the \$15,000,000 Mississippi Development Bank Loan dated March 1, 2004 to pay the cost of issuance, purchase land for a community center and contribute to the construction of the Ohr-O'Keefe Museum. Harrison County made two draws totaling \$875,741 on the \$5,000,000 Mississippi Development Bank loan dated January 27, 2003 to pay for paving and construction of recreational facilities. Harrison County entered into capital leases totaling \$159,380 to purchase fax machines, scanners and equipment.

Harrison County maintains an "AAA/A-1" 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 is significantly below its current limit of 240 million dollars.

Additional information on Harrison County's long-term debt can be found in Note 10 on page 40-43 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

The following projects/construction were completed or are ongoing from the 2003 \$5 million Mississippi Development Bank loan and the remainder of other bonds: County buildings renovations, E911 Countywide Communication System, paving projects, Sand Beach renourishment, community center construction, construction of a girls' softball complex, football field, soccer field, pavilion and playground (property purchased by the City).

The \$15 million Mississippi Development Bank loan (2004) will not affect the tax levy. This will be used for county building renovations, new construction, D'Iberville Senior Citizens building, a new community center, boys' baseball complex, water and sewer

projects, county share of the Biloxi parking garage, various storm water drainage projects, and the Maritime Seafood Museum Schooner Pier.

The following projects were contributed to by the County through interlocal agreements, but Harrison County will not have ownership:

- City of Biloxi – Ohr O’Keefe Museum, Crawford House renovations.
- City of Gulfport – sidewalks and drainage projects.

On August 29, 2005, Hurricane Katrina made landfall along the Mississippi Gulf Coast and significantly damaged infrastructure and buildings of the county, businesses and residences along the Harrison County coastline and further inland.

CONTACTING THE COUNTY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County’s finances and to demonstrate the County’s accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Harrison County Administrator or Chancery Clerk’s office at P.O. Drawer CC, Gulfport, Mississippi 39502.

HARRISON COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

HARRISON COUNTY

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HARRISON COUNTY
Statement of Net Assets
September 30, 2004

Exhibit 1

	<u>Primary Government</u>
	Governmental
	<u>Activities</u>
ASSETS	
Cash	\$ 45,665,313
Cash with fiscal agent	113,404
Accrued interest receivable	29,442
Property tax receivable	37,017,599
Fines receivable (net of allowance for uncollectibles of \$10,761,434)	3,775,633
Loans receivable	893,769
Capital leases receivable	2,467,500
Intergovernmental receivables	1,639,537
Other receivables	21,500
Deferred charges	1,467,804
Capital assets, net	126,828,123
Total Assets	<u>219,919,624</u>
LIABILITIES	
Claims payable	910,722
Claims and judgments	867,271
Intergovernmental payables	1,798,375
Deferred revenue	37,385,099
Other payables	1,021,113
Long-term liabilities	
Due within one year:	
Capital debt	4,016,172
Non-capital debt	1,239,251
Due in more than one year:	
Capital debt	86,010,078
Non-capital debt	12,347,372
Total Liabilities	<u>145,595,453</u>
NET ASSETS	
Invested in capital assets, net of related debt	36,801,873
Restricted:	
Expendable:	
General government	7,045,202
Debt service	16,492,605
Public safety	2,142,753
Public works	7,319,967
Health and welfare	92,396
Culture and recreation	803,202
Conservation of natural resources	198,498
Economic development	2,453,929
Unemployment compensation	195,944
Other purposes	893,769
Unrestricted	(115,967)
Total Net Assets	<u>\$ 74,324,171</u>

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

HARRISON COUNTY
Statement of Activities
For the Year Ended September 30, 2004

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Changes in Net Assets
					Primary Government
					Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 21,557,049	4,971,262			(16,585,787)
Public safety	25,270,485	4,566,064	5,249,740	250,782	(15,203,899)
Public works	19,238,003		8,131,856	3,001,260	(8,104,887)
Health and welfare	5,022,035		819,175	738,354	(3,464,506)
Culture and recreation	3,881,724				(3,881,724)
Conservation of natural resources	256,863		55,863		(201,000)
Economic development and assistance	8,017,553		4,483,178	137,199	(3,397,176)
Interest on long-term debt	4,068,192				(4,068,192)
Total Governmental Activities	\$ 87,311,904	9,537,326	18,739,812	4,127,595	(54,907,171)
General revenues:					
Property taxes				\$ 44,615,067	
Road & bridge privilege taxes				2,170,218	
Grants and contributions not restricted to specific programs				10,314,583	
Unrestricted interest income				984,447	
Miscellaneous				1,797,401	
Total General Revenues				59,881,716	
Changes in Net Assets				4,974,545	
Net Assets - Beginning				69,566,371	
Prior period adjustment				(216,745)	
Net Assets - Beginning, as restated				69,349,626	
Net Assets - Ending				\$ 74,324,171	

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

HARRISON COUNTY
Balance Sheet - Governmental Funds
September 30, 2004

Exhibit 3

	<u>Major Fund</u>		
	General	Other	Total
	Fund	Governmental	Governmental
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS			
Cash	\$ 9,018,572	35,969,224	44,987,796
Cash with fiscal agent	91,857	21,547	113,404
Accrued interest receivable	2,151	27,291	29,442
Property tax receivable	25,415,715	11,601,884	37,017,599
Fines receivable (net of allowance for uncollectibles of \$10,761,434)	3,775,633		3,775,633
Loans receivable	878,769	15,000	893,769
Capital lease receivable		2,467,500	2,467,500
Intergovernmental receivables	797,940	841,597	1,639,537
Other receivables	21,500		21,500
Due from other funds		1,788,352	1,788,352
Advances to other funds	5,021	366,814	371,835
Total Assets	<u>\$ 40,007,158</u>	<u>53,099,209</u>	<u>93,106,367</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 444,025	466,697	910,722
Intergovernmental payables	1,732,768		1,732,768
Due to other funds	381,080	1,472,879	1,853,959
Advances from other funds	26,082	345,753	371,835
Deferred revenue	29,191,348	14,069,384	43,260,732
Other payables	1,021,113		1,021,113
Total Liabilities	<u>32,796,416</u>	<u>16,354,713</u>	<u>49,151,129</u>
Fund balances:			
Reserved for:			
Debt service		16,367,605	16,367,605
Loans receivable	878,769	15,000	893,769
Advances	5,021	366,814	371,835
Unemployment compensation		195,944	195,944
Unreserved, reported in:			
General Fund	6,326,952		6,326,952
Special Revenue Funds		19,799,133	19,799,133
Total Fund Balances	<u>7,210,742</u>	<u>36,744,496</u>	<u>43,955,238</u>
Total Liabilities and Fund Balances	<u>\$ 40,007,158</u>	<u>53,099,209</u>	<u>93,106,367</u>

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

HARRISON COUNTY

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2004

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 43,955,238
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$95,099,271.	126,828,123
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	3,775,633
Capital lease receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,100,000
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(103,612,873)
Bond issuance costs are deferred in the Statement of Net Assets and amortized over the terms of the bonds.	1,467,804
Internal Service Funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	<u>(189,754)</u>
Total Net Assets - Governmental Activities	<u>\$ 74,324,171</u>

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

HARRISON COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2004

	<u>Major Fund</u>	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
REVENUES			
Property taxes	\$ 31,068,084	13,546,983	44,615,067
Road and bridge privilege taxes		2,170,218	2,170,218
Licenses, commissions and other revenue	2,598,420	45,103	2,643,523
Fines and forfeitures	1,539,848	162,932	1,702,780
Intergovernmental revenues	11,160,540	22,043,079	33,203,619
Charges for services	2,105,447	2,187,515	4,292,962
Interest income	699,438	285,009	984,447
Miscellaneous revenues	792,571	981,234	1,773,805
Total Revenues	<u>49,964,348</u>	<u>41,422,073</u>	<u>91,386,421</u>
EXPENDITURES			
Current:			
General government	22,747,123	4,350,921	27,098,044
Public safety	18,656,500	6,448,348	25,104,848
Public works	69,420	20,455,267	20,524,687
Health and welfare	4,390,899	498,709	4,889,608
Culture and recreation	2,654,087	1,218,360	3,872,447
Conservation of natural resources	115,962	138,410	254,372
Economic development and assistance	1,298,661	7,433,634	8,732,295
Debt service:			
Principal	753,781	18,561,023	19,314,804
Interest	316,111	3,698,521	4,014,632
Bond issue costs		725,268	725,268
Total Expenditures	<u>51,002,544</u>	<u>63,528,461</u>	<u>114,531,005</u>
Excess of Revenues over (under) Expenditures	<u>(1,038,196)</u>	<u>(22,106,388)</u>	<u>(23,144,584)</u>
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued	159,380	22,268,346	22,427,726
Proceeds from sale of capital assets	44,939	24,834	69,773
Transfers in		2,571,060	2,571,060
Transfers out	(268,096)	(2,302,964)	(2,571,060)
Lease principal payments		150,000	150,000
Total Other Financing Sources and Uses	<u>(63,777)</u>	<u>22,711,276</u>	<u>22,647,499</u>
Net Changes in Fund Balances	(1,101,973)	604,888	(497,085)
Fund Balances - Beginning	<u>8,312,715</u>	<u>36,139,608</u>	<u>44,452,323</u>
Fund Balances - Ending	<u>\$ 7,210,742</u>	<u>36,744,496</u>	<u>43,955,238</u>

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

HARRISON COUNTY

Exhibit 4-1

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, 2004

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (497,085)
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 assets differs from the change in fund balances by the amount that capital outlays of \$10,620,945 exceeded depreciation of \$4,381,125 in the current period.	6,239,820
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 assets differs from the change in fund balances by the amount of the loss of \$107,704 and the proceeds from the sale of \$69,773 in the current period.	(177,477)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	898,061
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from the change in fund balances by the principal collections on the capital leases.	(150,000)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$19,314,804 were exceeded by debt proceeds of \$22,427,726.	(3,112,922)
Bond issuance costs are recognized in full in the Governmental Funds but deferred and amortized over the term of the debt in the Statement of Net Assets.	671,708
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 assets differs from the change in fund balances by a combination of the following items:	
The amount of increase in compensated absences	(75,426)
The amount of decrease in claims and judgments	1,367,620
An Internal Service Fund is used by management to charge the cost of insurance to individual funds. The net revenue (expense) is reported within governmental activities.	<u>(189,754)</u>
Change in Net Assets of Governmental Activities	<u>\$ 4,974,545</u>

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

HARRISON COUNTY
Statement of Net Assets - Proprietary Fund Type
September 30, 2004

Exhibit 5

	Governmental Activities
	<u>Self-insurance Internal Service Fund</u>
ASSETS	
Current assets:	
Cash	\$ 677,517
Total Assets	<u>677,517</u>
LIABILITIES	
Current liabilities:	
Claims and judgments	<u>867,271</u>
Total Liabilities	<u>867,271</u>
NET ASSETS	
Restricted for health insurance	<u>(189,754)</u>
Total Net Assets	<u>\$ (189,754)</u>

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

HARRISON COUNTY
Statement of Revenues, Expenses and Changes in Fund Net Assets -
Proprietary Fund Type
For the Year Ended September 30, 2004

Exhibit 6

	Governmental Activities
	<u>Self-insurance Internal Service Fund</u>
Operating Revenues	
Premiums	\$ 842,424
	<hr/>
Operating Expenses	
Claims payments	895,130
Insurance premiums	111,224
Administrative fees	25,824
Total Operating Expenses	<u>1,032,178</u>
	<hr/>
Operating Income (Loss)	<u>(189,754)</u>
	<hr/>
Changes in Net Assets	(189,754)
	<hr/>
Net Assets - Beginning	0
	<hr/>
Net Assets - Ending	<u>\$ (189,754)</u>

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

HARRISON COUNTY
Statement of Cash Flows - Proprietary Fund Type
For the Year Ended September 30, 2004

Exhibit 7

	Governmental Activities
	<u>Self-insurance Internal Service Fund</u>
Cash Flows From Operating Activities	
Receipts for premiums	\$ 842,424
Payments for claims	(27,859)
Payments for insurance premiums	(111,224)
Payments to administrator for services	<u>(25,824)</u>
Net Cash Provided (Used) by Operating Activities	<u>677,517</u>
Net Increase (Decrease) in Cash and Cash Equivalents	677,517
Cash and Cash Equivalents at Beginning of Year	<u>0</u>
Cash and Cash Equivalents at End of Year	<u>\$ 677,517</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>(189,754)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Increase (decrease) in claims and judgments	<u>867,271</u>
Total Adjustments	<u>867,271</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 677,517</u>

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

HARRISON COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2004

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 2,411,714
Due from other funds	65,607
Total Assets	<u>2,477,321</u>
LIABILITIES	
Other liabilities	2,358,211
Intergovernmental payables	119,110
Total Liabilities	<u>\$ 2,477,321</u>

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

HARRISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Harrison County Development Commission
- Harrison County Tourism Commission
- Henderson Point-Pass Christian Isles Water and Sewer District
- D'Iberville Water and Sewer District
- Riverline Hills Water and Sewer District

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. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

HARRISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

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

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Fund and Fiduciary 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.

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 Fund:

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

The county reports the following major Proprietary Fund:

Self-insurance Internal Service Fund - This fund is used to account for the health insurance activities provided to governmental departments on a cost reimbursement basis.

HARRISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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.

D. 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 2001 by the Government Finance Officers Association and the *Mississippi County Financial Accounting Manual* as revised in 2002 by the Office of the State Auditor.

E. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, 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.

F. Receivables.

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

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

HARRISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

H. Capital Assets.

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

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

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

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

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

I. 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.

HARRISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

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 Assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, 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.

J. Equity Classifications.

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvements of those assets.

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

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

K. 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.

HARRISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

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

L. 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.

M. 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.

(2) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
Capital assets	\$ (2,466,745)
Capital lease receivable	<u>2,250,000</u>
Total prior period adjustment	\$ <u><u>(216,745)</u></u>

Adjustment to capital assets required to decrease beginning balances of capital assets by a net amount of \$2,466,745 due to errors in prior year ending balances.

Adjustment to capital lease receivable required to recognize revenue from capital lease receivable. Revenue should have been recognized at the inception of the lease receivable.

HARRISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$48,219,873 and the bank balance was \$50,973,754. The collateral for public entities' deposits in financial institutions is 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 Depository Insurance Corporation.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2004:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General	\$ 315,473
Other Governmental Funds	Other Governmental Funds	1,472,879
Agency Funds	General	<u>65,607</u>
Total		<u>\$ 1,853,959</u>

The amount payable from the Other Governmental Funds represents loans to alleviate temporary cash flow problems. All other amounts listed are the tax revenue collected but not settled until October, 2004. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	\$ 5,021
Other Governmental Funds	General	26,082
Other Governmental Funds	Other Governmental Funds	<u>340,732</u>
Total		<u>\$ 371,835</u>

The advances were to resolve cash flow problems in several funds in prior years and have not been repaid.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 268,096
Other Governmental Funds	Other Governmental Funds	<u>2,302,964</u>
Total		<u>\$ 2,571,060</u>

HARRISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

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

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2004, consisted of the following:

<u>Description</u>	<u>Amount</u>
Legislative tag credit	\$ 797,940
HOME investment partnerships program grant	115,168
Motor carrier safety grant	118,508
Hazard mitigation grant	588,494
Enforcing underage drinking laws program grant	7,671
Gang resistance education and training grant	6,253
Retired and senior volunteer program grant	<u>5,503</u>
 Total Governmental Activities	 \$ <u><u>1,639,537</u></u>

(6) Loans Receivable.

Loans receivable balances at September 30, 2004, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
D'Iberville Water and Sewer	07-85	N/A	N/A	\$ 27,808
West Harrison Water and Sewer	02-98	N/A	N/A	15,000
Harrison County Development Commission	12-00	3.00	11-20	425,481
Harrison County Development Commission	12-00	3.00	11-20	<u>425,480</u>
 Total				 \$ <u><u>893,769</u></u>

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2004:

	<u>Balance Oct. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments *</u>	<u>Balance Sept. 30, 2004</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 5,510,379	983,825		(4)	6,494,200
Construction in progress	<u>15,430,727</u>	<u>8,362,028</u>		<u>(1,619,026)</u>	<u>22,173,729</u>
Total non-depreciable capital assets	<u>20,941,106</u>	<u>9,345,853</u>	<u>0</u>	<u>(1,619,030)</u>	<u>28,667,929</u>

HARRISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

	<u>Balance</u> <u>Oct. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u> *	<u>Balance</u> <u>Sept. 30, 2004</u>
<u>Depreciable capital assets:</u>					
Infrastructure	104,745,554			22,142	104,767,696
Buildings	46,562,841	50,000		404,820	47,017,661
Improvements other than buildings	20,365,645			(1,904,880)	18,460,765
Mobile equipment	16,410,532	1,036,876	613,936	917,510	17,750,982
Furniture and equipment	1,638,727	28,836	79,617	769,366	2,357,312
Leased property under capital leases	4,427,609	159,380		(1,681,940)	2,905,049
Total depreciable capital assets	<u>194,150,908</u>	<u>1,275,092</u>	<u>693,553</u>	<u>(1,472,982)</u>	<u>193,259,465</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	57,040,870	1,341,550			58,382,420
Buildings	10,811,046	938,982			11,750,028
Improvements other than buildings	9,811,066	389,321		(718,506)	9,481,881
Mobile equipment	11,476,151	1,232,855	472,300	402,286	12,638,992
Furniture and equipment	1,300,252	66,186	43,776	722,723	2,045,385
Leased property under capital leases	1,420,104	412,231		(1,031,770)	800,565
Total accumulated depreciation	<u>91,859,489</u>	<u>4,381,125</u>	<u>516,076</u>	<u>(625,267)</u>	<u>95,099,271</u>
Total depreciable capital assets, net	<u>102,291,419</u>	<u>(3,106,033)</u>	<u>177,477</u>	<u>(847,715)</u>	<u>98,160,194</u>
Governmental activities capital assets, net	<u>\$ 123,232,525</u>	<u>6,239,820</u>	<u>177,477</u>	<u>(2,466,745)</u>	<u>126,828,123</u>

* Adjustments were required to decrease capital assets due to misstatements of beginning account balances.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
<u>Governmental Activities:</u>	
General government	\$ 545,729
Public safety	972,675
Public works	2,484,905
Health and welfare	188,579
Conservation of natural resources	186,746
Culture and recreation	2,491
Total governmental activities depreciation expense	<u>\$ 4,381,125</u>

HARRISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

Commitments with respect to unfinished capital projects at September 30, 2004, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Pedestrian pathway	\$ 353,486	December, 2004
E-911 system	485,393	January, 2005
Gulfport courthouse renovations	139,114	June, 2005
Jail renovations	94,719	September, 2005

As of September 30, 2004, the county had the following commitments:

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

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

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement, fire fighters and road construction personnel and \$400,000 for all other employees for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2004, to January 1, 2005. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

Until August 1, 2004, the county financed its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the county retaining the risk of loss on all claims to which the county was exposed. Premium payments to the pool were determined on an actuarial basis. The county purchased commercial insurance to cover all claims in excess of premium contributions. Claims expenses and liabilities were reported when it was probable that a loss had occurred and the amount of that loss could be reasonably estimated. The county had no year end liability because the county terminated their participation in the risk pool on August 1, 2004.

HARRISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

Beginning in August 2004 and pursuant to Section 25-15-101, Miss. Code Ann. (1972), the county established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss. Under the plan, amounts payable to the risk management fund are based on actuarial estimates. Harrison County, pays the premium on a single coverage policy for its respective employees. Employees desiring additional and/or dependent coverage pay the additional premium through a payroll deduction. Premium payments to the risk management fund are determined on an actuarial basis. The county has a minimum uninsured risk retention to the extent that actual claims submitted exceed the predetermined premium. The county has implemented the following plan to minimize this potential loss:

The county has purchased coinsurance which functions on a specific stop loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$75,000.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At September 30, 2004, the amount of these liabilities was \$867,271. An analysis of claims activities is presented below:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2003-2004	\$ 0	895,130	27,859	867,271

(9) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2004:

<u>Classes of Property</u>	<u>Amount</u>
Vacuum cleaner factory	\$ <u><u>3,000,000</u></u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2004, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 150,000	50,625
2006	150,000	46,875
2007	150,000	43,125
2008	150,000	39,375
2009	150,000	35,625
2010-2014	750,000	121,875
2015-2019	<u>600,000</u>	<u>30,000</u>
Total	\$ <u><u>2,100,000</u></u>	<u><u>367,500</u></u>

HARRISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2004:

Classes of Property	Governmental Activities
Mobile equipment	\$ 1,535,054
Other furniture and equipment	1,369,995
Total	2,905,049
Less: Accumulated depreciation	800,565
Leased Property Under Capital Leases	\$ 2,104,484

The following is a schedule by years of the total payments due as of September 30, 2004:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2005	\$ 662,856	71,114
2006	676,658	50,796
2007	473,789	30,084
2008	389,815	16,060
2009	187,415	5,510
Total	\$ 2,390,533	173,564

(10) Long-term Debt.

Debt outstanding as of September 30, 2004, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
A. General Obligation Bonds:			
Road and bridge bond - Series 1991	\$ 195,000	5.88	04-06
General obligation bonds - Series 1996	4,495,000	5.25/6.60	08-16
General obligation bonds - Series 1998	4,760,000	4.40/5.80	05-18
Coliseum refunding bonds - Series 2003	5,965,000	Variable	04-10
General obligation public improvement bonds	3,520,000	6.25/8.90	11-11
General obligation bonds - Series 1994 A	475,000	8.90	11-09
General obligation public improvement bonds - Series 1996 A	5,065,000	7.75/8.00	04-16
General obligation public improvement bonds - Series 1996 B	795,000	5.00/5.60	04-16
General obligation refunding bonds - Series 1997 B	12,200,000	4.25/5.80	07-07
Special obligation, Series 2000	9,055,000	Variable	05-20
Special obligation, Series 2000	9,055,000	Variable	05-20

HARRISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Public improvement project	7,340,000	Variable	01-25
Jail bond project, Series 2000	3,165,000	Variable	10-20
General obligation U.S.M. project bonds - Series 2001	1,715,000	4.95	01-16
General obligation refunding bonds - Series 2003	12,525,000	Variable	03-25
Special obligation refunding bonds - Series 2003	<u>15,000,000</u>	5.56	12-23
Total General Obligation Bonds	<u>\$ 86,270,000</u>		
B. General Obligation Enterprise Bonds:			
General obligation MBIA bonds	<u>\$ 2,100,000</u>	2.50	11-17
C. Capital Leases:			
Imaging system	\$ 608,847	3.04	12-07
Copiers and fax	315,728	3.42	01-08
Road equipment	885,054	2.94	06-04
(6) fire trucks	433,333	2.82	10-08
Copy machine	1,883	7.00	05-06
Copiers 2004	<u>145,688</u>	3.85	01-08
Total Capital Leases	<u>\$ 2,390,533</u>		
D. Other Loans:			
MS Development Bank - \$5,000,000 authorized:			
First drawdown	\$ 200,281	5.00	03-24
Second drawdown	117,188	5.00	07-24
Third drawdown	538,437	5.00	04-24
Fourth drawdown	325,848	5.00	09-24
MS Development Authority - CAP Loan 0303	425,480	3.00	11-20
MS Development Authority - CAP Loan 0304	425,480	3.00	11-20
MS Development Bank - \$15,000,000 authorized:			
First drawdown	345,575	5.00	02-24
Second drawdown	691,176	5.00	04-24
Third drawdown	<u>298,966</u>	5.00	05-24
Total Other Loans	<u>\$ 3,368,431</u>		
E. Limited Obligation Note:			
MS Development Bank - correctional facility	<u>\$ 7,710,000</u>	Variable	03-22

HARRISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

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

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>General Obligation Enterprise Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 3,995,000	2,932,475	150,000	50,625
2006	4,610,000	3,215,206	150,000	46,875
2007	5,265,000	3,095,853	150,000	43,125
2008	5,550,000	2,873,647	150,000	39,375
2009	5,860,000	2,541,381	150,000	35,625
2010 - 2014	27,130,000	8,928,136	750,000	121,875
2015 - 2019	18,520,000	3,817,944	600,000	30,000
2020 - 2024	13,265,000	1,326,983		
2025 - 2029	2,075,000	91,880		
Total	\$ <u>86,270,000</u>	<u>28,823,505</u>	<u>2,100,000</u>	<u>367,500</u>

<u>Year Ending September 30</u>	<u>Other Loans</u>		<u>Limited Obligation Note</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 172,567	87,949	275,000	132,020
2006	174,349	83,767	285,000	125,639
2007	176,131	79,523	300,000	119,154
2008	177,913	75,212	315,000	112,566
2009	179,695	67,733	330,000	105,871
2010 - 2014	925,203	286,054	1,930,000	425,403
2015 - 2019	969,741	165,595	2,475,000	240,811
2020 - 2024	592,832	56,155	1,800,000	49,705
Total	\$ <u>3,368,431</u>	<u>901,988</u>	<u>7,710,000</u>	<u>1,311,169</u>

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 a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2004, the amount of outstanding debt was equal to 5.58% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the county's financial statements. On September 30, 2004, \$16,495,000 of bonds outstanding were considered defeased.

HARRISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2004:

	Balance				Balance	Amount due
	Oct. 1, 2003	Additions	Reductions	Adjustments	Sept. 30, 2004	within one year
Compensated absences	\$ 1,698,483	75,426			1,773,909	
Claims and judgments*	1,367,620			1,367,620		0
General obligation bonds	75,040,000	15,000,000	3,770,000		86,270,000	3,995,000
General obligation enterprise bonds	2,250,000		150,000		2,100,000	150,000
Capital leases	3,037,089	159,380	805,936		2,390,533	662,856
Other loans	10,428,953	7,268,346	14,328,868		3,368,431	172,567
Limited obligation note	7,970,000		260,000		7,710,000	275,000
Total	\$ 101,792,145	22,503,152	19,314,804	1,367,620	103,612,873	5,255,423

* Schedule reflects the transition from the county's participation in the Mississippi Public Entity Employment Benefit Trust to an internal service fund. Internal service funds predominantly serve the governmental funds. Refer to Note 8 for additional information.

(11) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances or net assets at September 30, 2004:

Fund	Deficit Amount
Federal Grant	\$ 383,469
Home Program	8,288
Law Enforcement	105,050
Harrison County Wastewater	204,180
Mississippi Development Bank \$5 M	257,104
Self-Insurance (Internal Service Fund)	189,754

(12) 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.

HARRISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

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

(13) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for whom 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. Because a default may adversely affect the county's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

<u>Description</u>	<u>Balance at Sept. 30, 2004</u>
Industrial revenue bonds and notes	\$ <u>25,739,824</u>

(14) Joint Ventures.

The county participates in the following joint ventures:

Harrison County is a participant with the Cities of Gulfport, Biloxi, Pass Christian and D'Iberville in a joint venture, authorized by Section 39-3-8, Miss. Code Ann. (1972), to operate the 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 \$975,941 in fiscal year 2004. Complete financial statements for the Harrison County Library can be obtained from the Gulfport branch located at 1300 21st 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 Wastewater and Solid Waste Management Authority. The joint venture was created to handle and dispose of solid waste within the county and the aforementioned cities and is governed by a board consisting of six members, with each entity appointing one member. The county's appropriation to the joint venture was \$2,712,989 in fiscal year 2004. Complete financial statements for the Harrison County Wastewater and Solid Waste Management Authority can be obtained from P.O. Box 2409, Gulfport, MS 39501.

Harrison County is a participant with the City of Gulfport in a joint venture, authorized by Section 41-13-15, Miss. Code Ann. (1972), to operate the Memorial Hospital at Gulfport. The joint venture was created to provide medical services for the residents of the metropolitan area and is governed by a board consisting of five members, with each entity appointing two members and the fifth member appointed alternately by the city and county. While the hospital is basically self-supporting, the city and 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, MS 39501.

HARRISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

Harrison County is a participant with the Cities 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 county's appropriation to the joint venture was \$115,000 in fiscal year 2004. Complete financial statements for the Gulfport-Biloxi Regional Airport Authority can be obtained from P.O. Box 2127, Gulfport, MS 39501.

(15) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Region XIII Commission for Mental Health and Mental Retardation operates in a district composed of the Counties of Hancock, Harrison, Pearl River and Stone. The governing body is a four-member board of commissioners, one appointed by the Board of Supervisors of each of the member counties. The county appropriated \$1,343,330 for support of the agency in fiscal year 2004.

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, Perry, Stone and Wayne. The Harrison County Board of Supervisors appoints one of the 27 members of the board of directors. The county contributes a small percentage of the district's total revenue.

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 contributes a small percentage of the district's total revenue.

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 \$5,989,111 for maintenance and support of the college in fiscal year 2004.

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

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 Bay St. Louis, Ocean Springs and Pass Christian. Very little financial support comes from the six member governments.

Harrison-Jackson County Emergency Medical Service District operates in a district composed of the 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. Each member government appropriates a modest amount of financial support to the district.

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

HARRISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

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

(16) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2004, 2003 and 2002 were \$2,348,821, \$2,323,141 and \$2,228,072, respectively, equal to the required contributions for each year.

(17) Subsequent Events.

Subsequent to September 30, 2004, Harrison County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
02-02-05	Variable	\$ 68,000,000	General obligation bonds	Tax revenue

In June 2003, the Federal Emergency Management Agency disallowed \$1,723,666 of federal funds received by Harrison County related to FEMA Disaster No. 1251-DR-MS. The county has appealed this decision and the county's liability related to the disallowance cannot be determined at the date of the audit.

On August 29, 2005, Hurricane Katrina hit the Mississippi Gulf coast. Harrison County received significant damage to buildings, infrastructure and personal property throughout the county. An estimate of the amount of loss to the county is not determinable at this time.

HARRISON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

HARRISON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 30,397,097	30,397,097	31,316,132	919,035
Road and bridge privilege taxes	28,000			
Licenses, commissions and other revenue	2,572,800	2,600,800	2,513,166	(87,634)
Fines and forfeitures	1,553,700	1,553,700	1,465,323	(88,377)
Intergovernmental revenues	8,536,343	8,536,343	9,199,075	662,732
Charges for services	2,325,000	2,325,000	2,105,447	(219,553)
Interest income	866,000	866,000	762,157	(103,843)
Miscellaneous revenues	1,601,734	1,601,734	1,803,296	201,562
Total Revenues	<u>47,880,674</u>	<u>47,880,674</u>	<u>49,164,596</u>	<u>1,283,922</u>
EXPENDITURES				
Current:				
General government	20,005,652	23,004,855	24,153,669	(1,148,814)
Public safety	18,663,952	18,927,274	18,861,892	65,382
Public works	50,269	67,553	69,420	(1,867)
Health and welfare	4,538,274	4,675,932	4,340,163	335,769
Culture and recreation	2,702,867	2,762,493	2,623,337	139,156
Conservation of natural resources	129,045	129,045	115,862	13,183
Economic development and assistance	1,437,234	1,437,234	1,281,896	155,338
Debt service:				
Principal	610,479	1,622,732	718,827	903,905
Interest	822,860		190,416	(190,416)
Bond issue costs			102,250	(102,250)
Total Expenditures	<u>48,960,632</u>	<u>52,627,118</u>	<u>52,457,732</u>	<u>169,386</u>
Excess of Revenues over (under) Expenditures	<u>(1,079,958)</u>	<u>(4,746,444)</u>	<u>(3,293,136)</u>	<u>1,453,308</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,255,000	3,255,000	3,376,467	121,467
Transfers out	(465,756)	(465,756)	(685,730)	(219,974)
Total Other Financing Sources and Uses	<u>2,789,244</u>	<u>2,789,244</u>	<u>2,690,737</u>	<u>(98,507)</u>
Net Change in Fund Balances	1,709,286	(1,957,200)	(602,399)	1,354,801
Fund Balances - Beginning	<u>5,416,920</u>	<u>5,116,331</u>	<u>3,978,059</u>	<u>(1,138,272)</u>
Fund Balances - Ending	<u>\$ 7,126,206</u>	<u>3,159,131</u>	<u>3,375,660</u>	<u>216,529</u>

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

HARRISON COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2004

D. Excess of Actual Expenditures Over Budget in Individual Funds.

The following funds had an excess of actual expenditures over budget for the year ended September 30, 2004:

<u>Fund</u>	<u>Excess</u>
Special Revenue Funds:	
Sheriff's Federal Forfeiture	\$ 92,370
Unmet Needs Grant	141,229
Delisle Sewer Improvement CDBG	6,500
Home Program	142,542
Long Beach Industrial Park CDBG	47,748
2% Unemployment Compensation Revolving	1,672
Youth Court Shelter Playground	87,760
Public Safety	13,309
Sheriff's Canteen	259,623
Law Enforcement	15,985
Harrison County Wastewater	229,798
Harrison County Development	20,474
Bridge and Culvert	5,547
Beach Renourishment 2001 \$7.5	2,026,933
\$15M MS Development Bank 2004	1,001,500
G. O. Bonds - Series 1998	7,910

All the funds listed above are in violation of Section 9-11-17, Miss. Code Ann. (1972). However, the county has no liability associated with these violations.

E. Unbudgeted Funds.

The following funds were not budgeted for the year ended September 30, 2004:

Special Revenue Funds:
 Delisle Sewer Improvement CDBG
 Long Beach Industrial Park CDBG
 Youth Court Shelter Playground
 Public Safety
 Harrison County Development
 \$15 MS Development Bank 2004

The unbudgeted funds are in violation of state law. However, the county has no liability associated with the violation.

HARRISON COUNTY

SUPPLEMENTAL INFORMATION

HARRISON COUNTY

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HARRISON COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Commerce - National Oceanic and Atmospheric Administration/Passed-through the Mississippi Department of Marine Resources Coastal zone management administration awards	11.419	N/A	\$ <u>1,112,939</u>
U.S. Department of Housing and Urban Development/ Passed-through the City of Gulfport HOME investment partnerships program	14.239	64-000413	<u>359,119</u>
U.S. Department of Labor/Passed-through the Mississippi Development Authority WIA adult program (Note B)	17.258	N/A	<u>3,335,565</u>
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	2,440,635
Highway planning and construction	20.205	N/A	20,120
Federal Motor Carrier Safety Administration Motor carrier safety	20.217	N/A	<u>700,933</u>
Total U.S. Department of Transportation			<u>3,161,688</u>
Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency Hazard mitigation grant	97.039	FEMA-1251-DR-MS-004	738,354
Hazard mitigation grant	97.039	EMA-2000-GR-0075 N/A	<u>144,634</u>
Total Department of Homeland Security			<u>882,988</u>
Total Expenditures of Major Federal Awards			<u>8,852,299</u>
OTHER FEDERAL AWARDS			
Office of National Drug Control Policy - High intensity drug trafficking area (HIDTA)	07.UN	N/A	<u>81,373</u>
U.S. Department of Agriculture/Passed-through Southern Mississippi Planning and Development District Child and adult care food program	10.558	N/A	<u>10,645</u>

HARRISON COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program	14.228	99-024-ED-IF01	47,748
Community development block grants/state's program	14.228	1120-03-024-PF-01	<u>6,500</u>
Total U.S. Department of Housing and Urban Development			<u>54,248</u>
U.S. Department of Justice - Domestic cannabis eradication/suppression program	16.UN	N/A	8,679
Office of Juvenile Justice and Delinquency Prevention Part D - Research, evaluation, technical assistance and training	16.542	2002-MU-MU-0010	24,870
Office of Violence Against Women/ Passed-through the Mississippi Department of Public Safety Violence against women formula grants	16.588	2002-WF-BX-0047	28,000
Office of Justice programs Local law enforcement block grants program	16.592	2004-LB-BX-1591	16,327
Local law enforcement block grants program	16.592	2003-LB-BX-2606	26,260
Local law enforcement block grants program	16.592	98-LB-VX-5057	5,225
Community prosecution and project safe neighborhoods	16.609	2002-GP-CX-0109	74,173
Office of Community Oriented Policing Services/ Passed-through the Mississippi Department of Public Safety Enforcing underage drinking laws program	16.727	02-AH-FX-0021	7,671
Office of Justice programs Gang resistance education and training	16.737	ATC03000120	<u>45,153</u>
Total U.S. Department of Justice			<u>236,358</u>
U.S. Department of Transportation - National Highway Traffic Safety Administration/ Passed-through the Mississippi Department of Public Safety Alcohol traffic safety and drunk driving prevention incentive grants	20.601	3-J8-124-1	<u>61,267</u>
Cooperation for National and Community Service - Retired and senior volunteer program	94.002	N/A	<u>57,644</u>

HARRISON COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2004

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency State domestic preparedness equipment support program	97.004	N/A	<u>272,321</u>
Total Expenditures of Other Federal Awards			<u>773,856</u>
Total Expenditures of Federal Awards			<u>\$ 9,626,155</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

Note B - WIA adult program

Of the federal expenditures presented in the schedule, the county provided federal awards totaling \$3,335,565 to subrecipients during the year ended September 30, 2004.

HARRISON COUNTY

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HARRISON COUNTY

SPECIAL REPORTS

HARRISON COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Harrison County, Mississippi

We have audited the primary government financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Harrison County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated February 22, 2005. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. 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, we considered Harrison County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harrison County, Mississippi's primary government 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*. However, we noted a certain instance of noncompliance which we have reported to the management of Harrison County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated February 22, 2005, included within this document.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 22, 2005, except for Note 17,
as to which the date is October 6, 2005.



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Supervisors
Harrison County, Mississippi

Compliance

We have audited the compliance of Harrison County, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. Harrison County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Harrison County, Mississippi's management. Our responsibility is to express an opinion on Harrison County, Mississippi's compliance based on our audit.

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

In our opinion, Harrison County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

Internal Control Over Compliance

The management of Harrison County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Harrison County, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 22, 2005, except for Note 17,
as to which the date is October 6, 2005.



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S 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 made a study and evaluation of the central purchasing system and inventory control system of Harrison County, Mississippi, as of and for the year ended September 30, 2004. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Harrison County, Mississippi, is responsible for 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). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). 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 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 an 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 are disclosed below:

Inventory Control Clerk.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. The following deficiencies were noted in the capital asset records.

- a. Some values were missing or were incorrect for items listed in the capital asset records.

- b. As reported in the prior year's audit report, some items were not marked properly with the county's name.
- c. Two items were not located during the test of capital assets.
- d. As reported in the prior year's audit report, some equipment items have not been tagged with the county's inventory control number.
- e. Some construction in progress and some lease property under capital leases items were not classified properly.

Recommendation

The Inventory Control Clerk should establish procedures documenting the existence, completeness and valuation of capital assets.

Inventory Control Clerk's Response

This office will conduct a thorough physical inventory for each of the departments in which deficiencies were noted. By doing so, this will correct any and all discrepancies concerning detailed records, items no longer owned by the county, items missing from inventory, and items not properly marked.

Construction-in-progress items will be more accurately classified now that this office has been able to consult more with the State Auditor's Office and now has a better understanding of what items should be classified in this category.

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.

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 study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

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.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 22, 2005, except for Note 17,
as to which the date is October 6, 2005.

HARRISON COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2004

Schedule 1

Our test results did not identify any purchases from other than the lowest bidder.

HARRISON COUNTY
 Schedule of Emergency Purchases
 For the Year Ended September 30, 2004

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
10-10-03	Repair service	\$ 845	Ball Heating & Air Conditioning	Repair concession stand's air conditioning system.
10-15-03	Repair service	513	Communications Resource Corporation	Repair telephone system's console at youth detention center.
11-18-03	Repair service	5,185	CCS Industrial Sales, Inc.	Repair the hot water boiler at county jail.
12-23-03	Repair service	5,890	Simon's Refrigeration Service	Repair of heat and air conditioning unit at community center.
01-21-04	Repair service	1,363	Coastal Elevator Company	Repair the elevator at courthouse.
01-27-04	Repair service	760	Ball Heating & Air Conditioning	Repairs to air conditioning unit.
01-30-04	Repair service	682	Lowe's of Gulfport	Repair the dishwasher at family court shelter building.
04-08-04	Repair service	3,515	Lyman Well Co.	Replace the water wells pumps and controls.
08-04-04	Repair service	3,293	Communications Tech Solutions	Inspect telephone system after MS Power Co. changed meter.
08-18-04	Repair service	602	Advance Fire Protection	Repair fire sprinkler system at youth detention center.
09-02-04	Courthouse renovations	2,125	Phillips Building Supply	Original contractor defaulted on contract.
09-02-04	Courthouse renovations	10,800	Precision Ceiling, LLC	Original contractor defaulted on contract.
09-02-04	Courthouse renovations	1,350	Grimes Cabinets & Tops, Inc.	Original contractor defaulted on contract.
09-03-04	Courthouse renovations	5,700	Anchor Glass Company	Original contractor defaulted on contract.
09-03-04	Courthouse renovations	14,723	Rhodes Carpet & Floor Covering	Original contractor defaulted on contract.
09-09-04	Courthouse renovations	8,233	Lindsay Mechanical Contractor	Original contractor defaulted on contract.
09-09-04	Courthouse renovations	1,849	Shoe Make Painting Services	Original contractor defaulted on contract.
09-09-04	Courthouse renovations	6,303	Phillips Building Supply	Original contractor defaulted on contract.
09-09-04	Courthouse renovations	8,100	Phillips Building Supply	Original contractor defaulted on contract.
09-09-04	Courthouse renovations	3,351	Phillips Building Supply	Original contractor defaulted on contract.

HARRISON COUNTY
 Schedule of Emergency Purchases
 For the Year Ended September 30, 2004

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
09-09-04	Courthouse renovations	8,994	Buck Taylor Manufacturing	Original contractor defaulted on contract.
09-13-04	Courthouse renovations	4,984	Branch Electric Company	Original contractor defaulted on contract.
09-15-04	Courthouse renovations	2,700	Puckett Rents	Original contractor defaulted on contract.
09-20-04	Courthouse renovations	9,450	Grimes Cabinets & Tops	Original contractor defaulted on contract.
09-24-04	Courthouse renovations	4,431	Grimes Cabinets & Tops	Original contractor defaulted on contract.
09-24-04	Courthouse renovations	3,295	Grimes Cabinets & Tops	Original contractor defaulted on contract.

HARRISON COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source

For the Year Ended September 30, 2004

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
01-05-04	Court reporting software	\$	3,960	Stenograph, LLC
01-26-04	Radar equipment		4,350	McCoy's Law Line, Inc.
04-12-04	Software units		18,125	Advantage Software
05-03-04	Storage boxes		10,110	Norix Group, Inc.
09-07-04	Scan view imaging enabling software		6,000	Delta Computer Systems
09-07-04	Homestead data inquiry program		7,500	Delta Computer Systems
09-07-04	Storage boxes		9,802	Norix Group, Inc.
09-07-04	Rapid deployment detector		28,925	Rae Systems, Inc.

HARRISON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HARRISON COUNTY

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HARRISON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the primary government financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | No |
| | b. Reportable conditions identified that are not considered to be material weaknesses? | None reported |
| 3. | Noncompliance material to the primary government financial statements? | No |

Federal Awards:

- | | | |
|-----|---|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Reportable conditions identified that are not considered to be material weaknesses? | None reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit findings reported as required by Section ____.510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | a. Coastal zone management administration awards, CFDA # 11.419 | |
| | b. HOME investment partnerships program, CFDA # 14.239 | |
| | c. WIA adult program, CFDA # 17.258 | |
| | d. Highway planning and construction, CFDA # 20.205 | |
| | e. Motor carrier safety, CFDA # 20.217 | |
| | f. Hazard mitigation grant, CFDA # 97.039 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133? | No |

HARRISON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section 3: Federal Award Findings and Questioned Costs

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