



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

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State Auditor

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HANCOCK COUNTY, MISSISSIPPI

**Unaudited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2005**

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HANCOCK COUNTY

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HANCOCK COUNTY

FINANCIAL SECTION

HANCOCK 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
Hancock County, Mississippi

We were engaged to audit the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hancock County, Mississippi, as of and for the year ended September 30, 2005, 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.

The financial statements referred to above include only the primary government of Hancock 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 Hancock County, Mississippi, as of September 30, 2005, 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.

Sufficient competent evidential matter was either lost or destroyed due to the effects of Hurricane Katrina and was not available to document and support the account balances for revenues, expenditures/expenses and capital asset balances on the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the county. Certain required disclosures were omitted from the Notes to the Financial Statements.

Because sufficient competent evidential matter was either lost or destroyed due to the effects of Hurricane Katrina and was not available to document and support the accompanying financial statements and we were not able to apply other auditing procedures to satisfy ourselves as to whether the financial statements are presented in accordance with generally accepted accounting principles, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2006, on our consideration of Hancock 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.

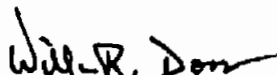
Hancock County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedules 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 engagement was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise Hancock 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. As explained in the fourth paragraph of this report, the scope of our work was not sufficient to enable us to express an opinion on the primary government financial statements. Similarly, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying Schedule of Expenditures of Federal Awards.



PHIL BRYANT
State Auditor



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

August 23, 2006

HANCOCK COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

HANCOCK COUNTY
Statement of Net Assets
September 30, 2005

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ 18,406,047
Property tax receivable	11,761,032
Fines receivable (net of allowance for uncollectibles of \$605,455)	160,288
Loans receivable	74,000
Intergovernmental receivables	565,147
Other receivables	500,469
Deferred charges	88,831
Capital assets, net	16,535,389
Total Assets	<u>48,091,203</u>
LIABILITIES	
Claims payable	1,716,948
Claims and judgments payable	142,915
Other payable	146,145
Retainage payable	41,889
Intergovernmental payables	1,724,426
Deferred revenue	11,761,032
Other payables	339,973
Long-term liabilities	
Due within one year:	
Capital debt	877,586
Non-capital debt	270,000
Due in more than one year:	
Capital debt	10,569,921
Non-capital debt	4,283,509
Total Liabilities	<u>31,874,344</u>
NET ASSETS	
Invested in capital assets, net of related debt	5,087,882
Restricted:	
Expendable:	
General government	781,705
Debt service	986,674
Public safety	2,498,887
Public works	702,861
Culture and recreation	428,768
Economic development	857
Capital projects	4,560,920
Unrestricted	1,168,305
Total Net Assets	<u>\$ 16,216,859</u>

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

HANCOCK COUNTY
Statement of Activities
For the Year Ended September 30, 2005

Exhibit 2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Changes in Net Assets</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Primary Government</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Governmental</u>
					<u>Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 5,469,353	1,069,209	3,041		(4,397,103)
Public safety	6,751,104	568,631	1,012,451	31,568	(5,138,454)
Public works	9,885,626	689,429	2,625,577	299,674	(6,270,946)
Health and welfare	702,655		48,055		(654,600)
Culture and recreation	1,740,344			131,046	(1,609,298)
Conservation of natural resources	172,605				(172,605)
Economic development and assistance	442,408		159,828		(282,580)
Interest on long-term debt	453,448				(453,448)
Total Governmental Activities	<u>\$ 25,617,543</u>	<u>2,327,269</u>	<u>3,848,952</u>	<u>462,288</u>	<u>(18,979,034)</u>
General revenues:					
Property taxes				\$ 14,601,421	
Road & bridge privilege taxes				598,616	
Grants and contributions not restricted to specific programs				1,721,276	
Unrestricted interest income				477,231	
Miscellaneous				791,975	
Total General Revenues				<u>18,190,519</u>	
Changes in Net Assets					<u>(788,515)</u>
Net Assets - Beginning					11,657,803
Prior period adjustment					5,293,823
Fund reclassification					53,748
Net Assets - Beginning, as restated					<u>17,005,374</u>
Net Assets - Ending					<u>\$ 16,216,859</u>

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

HANCOCK COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2005

Exhibit 3

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Road Maintenance Fund	4.5 Million Bond Issue Roof/Road 2005 Fund		
ASSETS					
Cash	\$ 7,165,740	1,156,322	4,358,175	5,725,810	18,406,047
Property tax receivable	5,702,630	1,092,000		4,966,402	11,761,032
Fines receivable (net of allowance for uncollectibles of \$605,455)	160,288				160,288
Loans receivable	74,000				74,000
Intergovernmental receivables	530,472	34,675			565,147
Other receivables	500,469				500,469
Due from other funds	74,418	131,427		317,482	523,327
Total Assets	\$ 14,208,017	2,414,424	4,358,175	11,009,694	31,990,310
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 70,036	311,321		1,335,591	1,716,948
Retainage payable		41,889			41,889
Intergovernmental payables	1,681,268				1,681,268
Due to other funds	492,067			74,418	566,485
Deferred revenue	5,862,918	1,092,000		4,966,402	11,921,320
Other payables	339,973				339,973
Total Liabilities	8,446,262	1,445,210	0	6,376,411	16,267,883
Fund balances:					
Reserved for:					
Debt service				986,674	986,674
Loans receivable	74,000				74,000
Unreserved, reported in:					
General Fund	5,687,755				5,687,755
Special Revenue Funds		969,214		3,443,864	4,413,078
Capital Project Funds			4,358,175	202,745	4,560,920
Total Fund Balances	5,761,755	969,214	4,358,175	4,633,283	15,722,427
Total Liabilities and Fund Balances	\$ 14,208,017	2,414,424	4,358,175	11,009,694	31,990,310

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

HANCOCK COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2005

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 15,722,427
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.	16,535,389
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	160,288
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(16,001,016)
Bond issuance costs are deferred in the Statement of Net Assets and are amortized over the term of the bonds.	88,831
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>(289,060)</u>
Total Net Assets - Governmental Activities	<u>\$ 16,216,859</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2005

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Road Maintenance Fund	4.5 Million Bond Issue Roof/Road 2005 Fund		
REVENUES					
Property taxes	\$ 7,318,621	1,400,612		5,882,188	14,601,421
Road and bridge privilege taxes		598,616			598,616
Licenses, commissions and other revenue	382,879			12,645	395,524
Fines and forfeitures	590,523			21,235	611,758
Intergovernmental revenues	2,443,106	1,098,893		2,359,471	5,901,470
Charges for services	259,212			1,065,087	1,324,299
Interest income	286,806	31,814	3,040	158,611	480,271
Miscellaneous revenues	148,329	39,216		104,430	291,975
Total Revenues	11,429,476	3,169,151	3,040	9,603,667	24,205,334
EXPENDITURES					
Current:					
General government	4,634,440		46,164	701,982	5,382,586
Public safety	5,182,679			1,509,228	6,691,907
Public works	288,112	3,866,634		5,681,585	9,836,331
Health and welfare	696,287			6,368	702,655
Culture and recreation	557,096			1,172,985	1,730,081
Conservation of natural resources	170,959			1,646	172,605
Economic development and assistance	389,098			51,257	440,355
Debt service:					
Principal	228,763	65,259		847,013	1,141,035
Interest	33,284	5,082	98,701	405,212	542,279
Total Expenditures	12,180,718	3,936,975	144,865	10,377,276	26,639,834
Excess of Revenues over (under) Expenditures	(751,242)	(767,824)	(141,825)	(773,609)	(2,434,500)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued		761,578	4,500,000		5,261,578
Compensation for loss of capital assets	500,000				500,000
Transfers in	715,947			241,908	957,855
Transfers out	(191,908)			(765,947)	(957,855)
Total Other Financing Sources and Uses	1,024,039	761,578	4,500,000	(524,039)	5,761,578
Net Changes in Fund Balances	272,797	(6,246)	4,358,175	(1,297,648)	3,327,078
Fund Balances - Beginning	5,349,366	975,460		6,016,775	12,341,601
Fund reclassification	139,592			(85,844)	53,748
Fund Balances - Beginning, as restated	5,488,958	975,460	0	5,930,931	12,395,349
Fund Balances - Ending	\$ 5,761,755	969,214	4,358,175	4,633,283	15,722,427

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

HANCOCK 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, 2005

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 3,327,078
Amounts reported for governmental activities in the Statement of Activities are different because:	
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.	126,734
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 proceeds of \$5,261,578 exceeded debt repayments of \$1,141,035.	(4,120,543)
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. Thus, the change in net assets differs from the change in fund balance by the amount of the increase in compensated absences.	(5,348)
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 Activities.	88,831
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>(205,267)</u>
Change in Net Assets of Governmental Activities	<u>\$ (788,515)</u>

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

HANCOCK COUNTY
 Statement of Net Assets - Proprietary Fund
 September 30, 2005

Exhibit 5

	Governmental Activities
	Self-insurance Internal Service Fund
LIABILITIES	
Current liabilities:	
Claims and judgments payable	\$ 142,915
Other payables	146,145
Total Current Liabilities	<u>\$ 289,060</u>
NET ASSETS	
Restricted for health insurance	\$ (289,060)
Total Net Assets	<u>\$ (289,060)</u>

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

HANCOCK COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended September 30, 2005

	Governmental Activities
	<u>Self-insurance</u>
	<u>Internal Service</u>
	<u>Fund</u>
Operating Revenues	
Premiums	\$ 1,265,984
Refunds	221,446
Total Operating Revenues	<u>1,487,430</u>
Operating Expenses	
Claims payments	1,415,922
Administrative fees	35,856
Insurance premiums	241,214
Total Operating Expenses	<u>1,692,992</u>
Operating Income (Loss)	<u>(205,562)</u>
Nonoperating Revenues (Expenses)	
Interest income	295
Net Nonoperating Revenue (Expenses)	<u>295</u>
Changes in Net Assets	(205,267)
Net Assets - Beginning	<u>(83,793)</u>
Net Assets - Ending	<u>\$ (289,060)</u>

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

HANCOCK COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2005

Exhibit 7

	Governmental Activities
	Self-insurance Internal Service Fund
Cash Flows From Operating Activities	
Receipts for premiums	\$ 1,146,094
Payments for claims	(1,307,420)
Payments to administrator for services	(35,856)
Payments for insurance premiums	(95,069)
Other operating cash receipts	221,446
Net Cash Provided (Used) by Operating Activities	<u>(70,805)</u>
Cash Flows From Investing Activities	
Interest on deposits	295
Net Cash Provided (Used) by Investing Activities	<u>295</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(70,510)
Cash and Cash Equivalents at Beginning of Year	<u>70,510</u>
Cash and Cash Equivalents at End of Year	<u>\$ 0</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>(205,562)</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 liability	108,502
Increase (decrease) in unearned revenue	(119,890)
Increase (decrease) in other payables	146,145
Total Adjustments	<u>134,757</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (70,805)</u>

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

HANCOCK COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2005

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 455,837
Due from other funds	43,158
Other receivables	16,129
Total Assets	<u>\$ 515,124</u>
LIABILITIES	
Amounts held in custody for others	\$ 393,852
Intergovernmental payables	121,272
Total Liabilities	<u>\$ 515,124</u>

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

HANCOCK COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

- Bayside Park Fire Protection District
- Clermont Harbor Lakeshore Fire Protection District
- Diamondhead Fire Protection and Waste Disposal District
- East Hancock Fire Protection District
- Fenton Fire Protection District
- Kiln Fire Protection District
- Leetown Fire Protection District
- West Hancock Fire Protection District
- Post 58 Fire Protection District
- Hancock County Human Resource Agency
- Hancock County Medical Center
- Hancock County Port and Harbor Commission

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

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

HANCOCK COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

B. Individual Component Unit Disclosure.

Blended Component Unit

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

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

C. 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.

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.

HANCOCK COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

D. 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 Funds:

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

Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

4.5 Million Bond Issue Roof/Road 2005 Fund - This fund is used to account for the proceeds from a general obligation bond issue that are restricted for the acquisition, construction and repair of major capital facilities and infrastructure.

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.

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 (other than for major capital projects) 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.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

HANCOCK COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

F. Deposits.

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.

G. Receivables.

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

H. Interfund Transactions and Balances.

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

HANCOCK COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

I. 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. However, we were not able to determine if the capital assets amount reported in the governmental activities on the accompanying Statement of Net Assets, is fairly presented because subsidiary records documenting the existence, completeness and valuation of capital assets, adequate records documenting the county's infrastructure or records documenting depreciation on capital assets were destroyed due to the effects of Hurricane Katrina. 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. 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 and estimated useful lives:

	<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 and estimated useful life will correspond with the amounts for the asset classification, as listed above.

J. 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.

HANCOCK COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

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 premium 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 premium and discounts, as well as bond issuance cost, 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.

K. 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, construction 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.

L. 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.

HANCOCK COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

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.

M. 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.

N. 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) Changes in Accounting Standards.

For the fiscal year ended September 30, 2005, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The provisions of this new statement have been incorporated into the financial statements and the accompanying notes.

(3) Fund Reclassification.

A summary of fund reclassifications is as follows:

	General Fund	Other Governmental Funds
	<u> </u>	<u> </u>
As previously reported	\$ 5,349,366	6,016,775
Fund reclassifications:		
Excess bid	61,549	(61,549)
Mandatory fund escrow	476,231	(476,231)
Fire district	(290,112)	290,112
Insurance rebate prior year	(108,076)	108,076
Justice Court escrow fund		53,748
	<u> </u>	<u> </u>
Total Governmental Funds	<u>\$ 5,488,958</u>	<u>5,930,931</u>

Management chose to reclassify funds to reflect the proper objectives of the funds.

HANCOCK COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(4) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
Adjustment to long-term debt	\$ 4,863,709
Adjustment for overstated accrued interest payable	<u>430,114</u>
Total prior period adjustment	\$ <u><u>5,293,823</u></u>

(5) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$18,861,884, and the bank balance was \$18,051,580. 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.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

(6) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2005:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	\$ 74,418
Road Maintenance Fund	General	131,427
Other Governmental Funds	General	317,482
Agency Funds	General	<u>43,158</u>
Total		\$ <u><u>566,485</u></u>

The amount payable from the Other Governmental Funds represents loans in anticipation of grant revenue. All other amounts represent the tax revenue collected but not settled until October, 2005. All interfund balances are expected to be repaid within one year from the date of the financial statements.

HANCOCK COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 715,947
Other Governmental Funds	General Fund	191,908
Other Governmental Funds	Other Governmental Funds	50,000
Total		<u>\$ 957,855</u>

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

(7) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2005, consisted of the following:

<u>Description</u>	<u>Amount</u>
Legislative tag credit	\$ 490,737
Highway planning and construction grant	34,675
Other grants	39,735
Total Governmental Activities	<u>\$ 565,147</u>

(8) Loans Receivable.

Loans receivable balances at September 30, 2005, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
Hancock County Wastewater District	11-01-95	0%	N/A	\$ 19,000
Hancock County Wastewater District	05-25-97	0%	N/A	15,000
Pearlington Water and Sewer District	03-02-98	0%	N/A	40,000
Total				<u>\$ 74,000</u>

(9) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2005:

	<u>Balance Oct. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance Sept. 30, 2005</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 611,072				611,072
Construction in progress	1,697,848				1,697,848
Total non-depreciable capital assets	<u>2,308,920</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,308,920</u>

HANCOCK COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

	Balance Oct. 1, 2004	Additions	Deletions	Adjustments	Balance Sept. 30, 2005
<u>Depreciable capital assets:</u>					
Infrastructure	27,926,135				27,926,135
Buildings	6,454,199				6,454,199
Improvements other than buildings	131,584				131,584
Mobile equipment	3,687,075				3,687,075
Furniture and equipment	372,468				372,468
Leased property under capital leases	659,245				659,245
Total depreciable capital assets	<u>39,230,706</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>39,230,706</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	19,154,029				19,154,029
Buildings	1,777,185				1,777,185
Improvements other than buildings	10,526				10,526
Mobile equipment	3,288,102				3,288,102
Furniture and equipment	324,721				324,721
Leased property under capital leases	449,674				449,674
Total accumulated depreciation	<u>25,004,237</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,004,237</u>
Total depreciable capital assets, net	<u>14,226,469</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,226,469</u>
Governmental activities capital assets, net	<u>\$ 16,535,389</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,535,389</u>

Sufficient competent evidential matter was either lost or destroyed due to the effects of Hurricane Katrina and was not available to document and support account balances for capital assets.

Commitments with respect to unfinished capital projects at September 30, 2005, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Texas Flat Road Engineering	\$ 1,125,151	03-01-08

HANCOCK COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(10) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$750,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2005, to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The county is exposed to risk of loss relating to employee health, accident and dental coverage. Beginning in 2002 and pursuant to Section 25-15-101, Miss. Code Ann. (1972), the county established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss. Under the plan, amounts payable to the risk management fund are based on actuarial estimates. Hancock 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 plans to minimize this potential loss:

The county has purchased coinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$50,000, and the aggregate policy covers all submitted claims in excess of \$1,475,057.

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, 2005, the amount of these liabilities was \$142,915. An analysis of claims activities is presented below:

	Beginning of Fiscal Year <u>Liability</u>	Current Year Claims and Changes in <u>Estimates</u>	Claim <u>Payments</u>	Balance at Fiscal <u>Year End</u>
2003 - 2004	\$ 7,227	1,556,919	1,529,733	34,413
2004 - 2005	\$ 34,413	1,415,922	1,307,420	142,915

HANCOCK COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(11) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2005:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 883,718
Furniture and equipment	<u>247,427</u>
Total Leased Property Under Capital Leases	\$ <u><u>1,131,145</u></u>

The following is a schedule by years of the total payments due as of September 30, 2005:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 151,966	28,658
2007	280,182	22,041
2008	486,602	14,928
2009	<u>70,396</u>	<u>583</u>
Total	\$ <u><u>989,146</u></u>	<u><u>66,210</u></u>

(12) Long-term Debt.

Debt outstanding as of September 30, 2005, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
A. General Obligation Bonds:			
Public Improvement Bonds, Series 1997	\$ 4,685,000	4.50/4.875%	12-17
Roof & Road General Obligation Bond	<u>4,500,000</u>	3.00/3.50%	09-15
Total General Obligation Bonds	\$ <u><u>9,185,000</u></u>		
B. Limited Obligation Bonds:			
MBIA Bonds, Series 2001	\$ 2,700,000	1.00%	12-16
Sand Beach Project, Series 2001	1,770,000	3.80/4.95%	07-16
Hancock County Library Project, Series 1998	<u>980,000</u>	4.88/5.90%	07-18
Total Limited Obligation Bonds	\$ <u><u>5,450,000</u></u>		

HANCOCK COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
C. Capital Leases:			
Computer equipment	\$ 9,407	5.39%	11-05
Beach sweeper	19,940	3.04%	02-07
Backhoe loader	44,049	3.05%	02-07
Motorgrader	153,964	3.05%	02-07
Broom sweeper	15,087	3.05%	02-07
Mack dump trucks	157,315	3.01%	04-08
Mack tractors	162,755	3.15%	08-08
Mack dump trucks	170,722	3.15%	08-08
Wheel loader	138,857	3.38%	08-08
Backhoe loaders	117,050	3.38%	12-08
Total Capital Leases	\$ <u>989,146</u>		
D. Other Loans:			
Hancock County Public Building Project	\$ <u>293,361</u>	5.38%	03-12

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

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2006	\$ 635,000	429,168	325,000	152,770
2007	665,000	330,565	340,000	144,165
2008	695,000	303,233	345,000	134,760
2009	725,000	275,571	360,000	124,957
2010	760,000	247,924	365,000	114,370
2011 - 2015	4,335,000	772,371	2,260,000	386,600
2016 - 2020	1,370,000	102,376	1,455,000	48,202
Total	\$ <u>9,185,000</u>	<u>2,461,208</u>	<u>5,450,000</u>	<u>1,105,824</u>

Year Ending September 30	Other Loans	
	Principal	Interest
2006	\$ 35,620	15,783
2007	37,536	13,866
2008	39,556	11,847
2009	41,657	9,746
2010	43,925	7,478
2011 - 2015	95,067	7,738
Total	\$ <u>293,361</u>	<u>66,458</u>

HANCOCK COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

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, 2005, the amount of outstanding debt was equal to 2.13% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2005:

	Balance Oct. 1, 2004	Additions	Reductions	Adjustments *	Balance Sept. 30, 2005	Amount due within one year
Compensated absences	\$ 182,635	5,348		(104,474)	83,509	
General obligation bonds	5,265,000	4,500,000	580,000		9,185,000	635,000
Limited obligation bonds	11,097,117		320,000	(5,327,117)	5,450,000	325,000
Capital leases	194,082	761,578	207,279	240,765	989,146	151,966
Other loans			33,756	327,117	293,361	35,620
Total	\$ <u>16,738,834</u>	<u>5,266,926</u>	<u>1,141,035</u>	<u>(4,863,709)</u>	<u>16,001,016</u>	<u>1,147,586</u>

* Adjustments were made to correct prior year errors in the classification of debt.

(13) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2005:

Fund	Deficit Amount
Hurricane Katrina	\$ (696,751)
CDBG - Pearlinton W & S	(74,418)
Coastal Impact Assistance Program	(82,402)
Multipurpose Arena	(1,141)
Library Bond & Interest Fund	(3,293)
Sand Beach Construction Fund	(305,061)

(14) Contingencies.

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

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

HANCOCK COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

General Obligation Debt Contingencies - The county issues general obligation bonds to provide funds for constructing and improving capital facilities of the Hancock County Port and Harbor Commission. Such debt is being retired from pledged resources of this entity and, therefore, is reported as a liability of this entity. However, because general obligation bonds are backed by the full faith, credit and taxing power of the county, the county remains contingently liable for its retirement. The principal amount of such debt outstanding at year end is as follows:

<u>Description</u>	<u>Balance at Sept. 30, 2005</u>
General Obligation Port and Harbor bonds	\$ <u>8,249,218</u>

Hospital Revenue Bond Contingencies - The county issues revenue bonds to provide funds for constructing and improving capital facilities of the Hancock County Medical Center. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the county remains contingently liable for the retirement of these bonds because the full faith, credit and taxing power of the county is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue bonds outstanding at September 30, 2005, is \$7,829,160.

(15) 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, 2005</u>
Industrial revenue bond - Wellman Redevelopment Project	\$ <u>5,000,000</u>

(16) Related Organizations.

The Hancock County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Hancock County Wastewater District, but the county's accountability for this organization does not extend beyond making the appointments. The balance of the loans outstanding from this organization at year-end in the amount of \$34,000 is disclosed in Note 8.

The Hancock County Board of Supervisors is responsible for appointing a voting majority of the members of the board of Pearlington Water and Sewer District, but the county's accountability for this organization does not extend beyond making the appointments. The balance of the loans outstanding from this organization at year-end in the amount of \$40,000 is disclosed in Note 8.

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

HANCOCK COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

(17) Joint Ventures.

The county participates in the following joint ventures:

Hancock County is a participant with the Cities of Pass Christian and Waveland in a joint venture, authorized by Section 49-17-171, Miss. Code Ann. (1972), to operate the Southern Regional Wastewater Management District. The joint venture was created to provide wastewater management. The Hancock County Board of Supervisors appoints one of the three members of the board of directors. By contractual agreement, the county's appropriation to the joint venture was \$271,260 in fiscal year 2005. Complete financial statements for the Southern Regional Wastewater Management District can be obtained from 401 Gulfside Street, Waveland, Mississippi.

Hancock County is a participant with the Cities of Bay St. Louis and Waveland in a joint venture, authorized by Section 39-3-8, Miss. Code Ann. (1972), to operate the Hancock County Library System. The joint venture was created to provide library service. The Hancock County Board of Supervisors appoints two of the five members of the board of directors. By contractual agreement, the county's appropriation to the joint venture was \$970,004 in fiscal year 2005. Complete financial statements for the Hancock County Library System can be obtained from 312 Highway 90, Bay St. Louis, Mississippi.

Hancock County is a participant with the Cities of Bay St. Louis and Waveland in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Hancock County Regional Solid Waste Management Authority. The joint venture was created to collect and dispose of solid waste for the members of the authority. The Hancock County Board of Supervisors appoints two of the six members of the board of directors. The county's appropriation paid to the joint venture was \$956,761 in fiscal year 2005. Complete financial statements for the Hancock County Regional Solid Waste Management Authority can be obtained from 401 Gulfside Street, Waveland, Mississippi.

(18) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

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

Region XIII Commission for Mental Health and Mental Retardation operates in a district composed of the Counties of Hancock, Harrison, Pearl River and Stone. The governing body is a four-member board of commissioners, one appointed by the Board of Supervisors of each of the member counties. The county appropriated \$100,000 for support of the agency in fiscal year 2005.

Pearl River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion and Pearl River. The Hancock County Board of Supervisors appoints two of the 16 members of the college board of trustees. The county appropriated \$684,000 for maintenance and support of the college in fiscal year 2005.

HANCOCK COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

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 Hancock County Board of Supervisors appoints one of the 27 members of the board of directors. The county appropriated \$10,742 for support of the district in fiscal year 2005.

Gulf Regional Planning and Development District operates in a district composed of the Counties of Hancock, Harrison and Jackson. The governing body is a nine-member board of directors, three appointed by the Board of Supervisors of each member county. The county appropriated \$7,804 for support of the district in fiscal year 2005.

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

Hancock County Tourism Development Bureau is jointly governed by Hancock County and the Cities of Bay St. Louis and Waveland. The Hancock County Board of Supervisors appoints four of the nine members of the board of directors. The county appropriated \$153,107 for support of the agency in fiscal year 2005.

(19) Defined Benefit Pension Plan.

Plan Description. Hancock County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to 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 rate at September 30, 2005 was 10.75% 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, 2005, 2004 and 2003 were \$681,669, \$643,246, and \$596,810, respectively, equal to the required contributions for each year.

HANCOCK COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(20) Subsequent Events.

Subsequent to September 30, 2005, Hancock 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>
10-11-05	3.90%	\$ 58,915	Lease purchase	Available revenue
10-25-05	3.38%	117,050	Lease purchase	Available revenue
12-05-05	4.15%	35,000	Lease purchase	Available revenue
12-05-05	Variable	5,480,455	Loan	Available revenue
01-17-06	4.04%	41,400	Lease purchase	Available revenue
01-17-06	4.04%	152,190	Lease purchase	Available revenue
01-17-06	4.04%	406,740	Lease purchase	Available revenue
01-18-06	4.04%	247,508	Lease purchase	Available revenue
01-18-06	4.04%	74,780	Lease purchase	Available revenue
03-30-06	3.25%	168,540	Lease purchase	Available revenue
03-31-06	Variable	5,435,000	Promissory note	Available revenue

HANCOCK COUNTY

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HANCOCK COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

HANCOCK COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 6,853,000	6,987,425	6,987,425	
Licenses, commissions and other revenue	676,557	911,775	911,775	
Fines and forfeitures	476,500	640,440	640,440	
Intergovernmental revenues	2,137,373	2,433,455	2,433,455	
Charges for services	119,251	259,212	259,212	
Interest income	162,260	253,761	253,761	
Miscellaneous revenues	859,010	117,329	117,329	
Total Revenues	<u>11,283,951</u>	<u>11,603,397</u>	<u>11,603,397</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	5,377,228	4,961,461	5,046,413	(84,952)
Public safety	5,316,597	5,780,237	5,761,064	19,173
Public works	21,040	289,242	289,242	
Health and welfare	764,460	752,032	702,032	50,000
Culture and recreation	547,301	670,700	670,700	
Conservation of natural resources	175,787	174,761	174,761	
Economic development and assistance	427,890	584,328	584,328	
Total Expenditures	<u>12,630,303</u>	<u>13,212,761</u>	<u>13,228,540</u>	<u>(15,779)</u>
Excess of Revenues over (under) Expenditures	<u>(1,346,352)</u>	<u>(1,609,364)</u>	<u>(1,625,143)</u>	<u>(15,779)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	772,000	715,947	715,947	
Transfers out	(520,000)	(191,908)	(191,908)	
Total Other Financing Sources and Uses	<u>252,000</u>	<u>524,039</u>	<u>524,039</u>	<u>0</u>
Net Change in Fund Balances	(1,094,352)	(1,085,325)	(1,101,104)	(15,779)
Fund Balances - Beginning	<u>3,427,741</u>	<u>3,488,293</u>	<u>3,485,870</u>	<u>(2,423)</u>
Fund Balances - Ending	<u>\$ 2,333,389</u>	<u>2,402,968</u>	<u>2,384,766</u>	<u>(18,202)</u>

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

HANCOCK COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Road Maintenance Fund
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,397,273	1,339,326	1,339,326	
Road and bridge privilege taxes	544,860	589,534	589,534	
Intergovernmental revenues	452,228	1,133,182	1,133,182	
Interest income	20,000	31,814	31,814	
Miscellaneous revenues	39,000	39,216	39,216	
Total Revenues	<u>2,453,361</u>	<u>3,133,072</u>	<u>3,133,072</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,961,155	3,105,762	3,105,762	
Total Expenditures	<u>2,961,155</u>	<u>3,105,762</u>	<u>3,105,762</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(507,794)</u>	<u>27,310</u>	<u>27,310</u>	<u>0</u>
Net Change in Fund Balances	(507,794)	27,310	27,310	0
Fund Balances - Beginning	<u>1,127,448</u>	<u>1,129,012</u>	<u>1,129,012</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 619,654</u>	<u>1,156,322</u>	<u>1,156,322</u>	<u>0</u>

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

HANCOCK COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2005

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	<u>Governmental Fund Types</u>	
	General Fund	Road Maintenance Fund
Budget (Cash Basis)	\$ (1,101,104)	27,310
Increase (Decrease)		
Net adjustments for revenue accruals	326,079	797,657
Net adjustments for expenditure accruals	<u>1,047,822</u>	<u>(831,213)</u>
GAAP Basis	<u>\$ 272,797</u>	<u>(6,246)</u>

HANCOCK COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2005

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

The following fund had an excess of actual expenditures over budget for the year ended September 30, 2005:

<u>Fund</u>	<u>Excess</u>
General Fund	\$ <u><u>15,779</u></u>

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

HANCOCK COUNTY

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HANCOCK COUNTY

SUPPLEMENTAL INFORMATION

HANCOCK COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2005

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/ Passed-through the Mississippi Department of Environmental Quality			
Coastal zone management administration awards	11.419	13-1450-1-302	\$ <u>320,713</u>
U.S. Department of Transportation-Federal Highway Administration/Passed-through the Mississippi Department of Transportation			
Highway planning and construction	20.205	STP 1126 1 B	493,274
Highway planning and construction	20.205	BR NBIS 061 B	550
Highway planning and construction	20.205	BR NBIS 062 B	<u>770</u>
Total U.S. Department of Transportation			<u>494,594</u>
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency			
Disaster grants – public assistance	97.036	1604 DR MS	<u>460,000</u>
Total Expenditures of Major Federal Awards			<u>1,275,307</u>
OTHER FEDERAL AWARDS			
U.S. Department of Justice/ Passed-through the Mississippi Department of Public Safety			
Juvenile accountability incentive block grants	16.523	2JB1231	14,970
Juvenile accountability incentive block grants	16.523	3JB1231	2,500
Edward Byrne memorial formula grant program	16.579	3NW1231	81,682
Edward Byrne memorial formula grant program	16.579	3NP1235	59,204
Edward Byrne memorial formula grant program	16.579	2NC1233	29,914
Violence against women formula grants	16.588	02SL1231	23,744
Violence against women formula grants	16.588	03SL1231	11,277
Local law enforcement block grant program	16.592	04LB1231	2,243
Enforcing underage drinking laws program	16.727	04UA1231	<u>4,782</u>
Total U.S. Department of Justice			<u>230,316</u>

HANCOCK COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Homeland Security/ Passed-through the Mississippi Department of Public Safety State domestic preparedness equipment support program	97.004	04LE023	<u>14,237</u>
Total Expenditures of Other Federal Awards			<u>244,553</u>
Total Expenditures of Federal Awards			<u>\$ 1,519,860</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.

HANCOCK COUNTY

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HANCOCK COUNTY

SPECIAL REPORTS

HANCOCK 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
Hancock County, Mississippi

We were engaged to audit the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hancock County, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated August 23, 2006. 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 do not express an opinion on the governmental activities, each major fund, and the aggregate remaining fund information because sufficient competent evidential matter was either lost or destroyed due to the effects of Hurricane Katrina and was not available to support revenue, expenditures/expenses and capital asset account balances.

Internal Control Over Financial Reporting

Because sufficient competent evidential matter was either lost or destroyed due to the effects of Hurricane Katrina, we were unable to consider the county's internal control over financial reporting.

Compliance and Other Matters

For the reasons described in the first paragraph, we were unable to perform tests of the county's 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.

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.

Handwritten signature of Phil Bryant in black ink.

PHIL BRYANT
State Auditor

Handwritten signature of William R. Doss in black ink.

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

August 23, 2006

HANCOCK COUNTY

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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
Hancock County, Mississippi

Compliance

We were engaged to audit the compliance of Hancock 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, 2005. Hancock County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Hancock County, Mississippi's management.

Sufficient competent evidential matter was either lost or destroyed due to the effects of Hurricane Katrina and was not available to document and support the transactions of its major federal programs and, thus, did not permit the application of certain necessary audit procedures.

Because sufficient competent evidential matter was either lost or destroyed due to the effects of Hurricane Katrina and was not available to document and support activities allowed or unallowed, allowable costs/cost principles, eligibility, period of availability of funds, matching, level of effort, earmarking, procurement and suspension and debarment, and special tests and provisions, we do not express an opinion of the county's compliance with requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005. See Finding 05-01 in the Schedule of Findings and Questioned Costs.

Internal Control Over Compliance

The management of Hancock 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. Because sufficient competent evidential matter was either lost or destroyed due to the effects of Hurricane Katrina and was not available to document and support the controls applicable to federal programs, we were unable to consider the county's internal control over compliance requirements that could have a direct and material effect on a major federal program.

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

August 23, 2006



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
Hancock County, Mississippi

We were engaged to make a study and evaluation of the central purchasing system and inventory control system of Hancock County, Mississippi, as of and for the year ended September 30, 2005. Sufficient competent evidential matter was either lost or destroyed due to the effects of Hurricane Katrina and was not available to support the Purchase Clerk's and Inventory Control Clerk's compliance with state law.

The Board of Supervisors of Hancock 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 Hancock County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

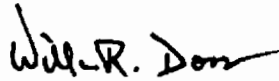
Because sufficient competent evidential matter was either lost or destroyed due to the effects of Hurricane Katrina and was not available to support compliance testing and we were unable to apply other audit procedures to satisfy ourselves, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the county's compliance with state laws governing central purchasing, inventory and bid requirements as of September 30, 2005.

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). As explained above, we do not express an opinion on the information contained on these schedules .

This report is intended for use in evaluating the central purchasing system and inventory control system of Hancock 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

August 23, 2006

HANCOCK COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2005

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

HANCOCK COUNTY
 Schedule of Emergency Purchases
 For the Year Ended September 30, 2005

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
11-13-04	5 Port O Lets	\$ 275	Pitt Stop	The sewage system failed at the arena when a rodeo was scheduled.
04-06-05	Cellular phone	169	Cellular South	A tornado damaged the emergency management director's cellular phone.
04-06-05	Television	500	Kmart	A tornado damaged the television at the Emergency Management office.
04-09-05	6 Port O Lets	495	Pitt Stop	The sewage system failed at the baseball field.
04-16-05	4 Port O Lets	220	Pitt Stop	The sewage system failed at the baseball field.
04-16-05	Water pump and accessories	1,700	Pouncery Water Wells	The water pump and all accessories at the baseball field had to be repaired.
05-23-05	Air conditioner	495	Mayo's Air Conditioning & Heating	The air conditioner in the equipment room at the Sheriff's office had to be replaced, to keep the equipment cool.
06-01-05	Air conditioner	1,750	Mayo's Air Conditioning & Heating	The air conditioner at the Emergency Management office had to be replaced in order to keep the equipment cool.
08-26-05	Computer monitor	399	Technical Solutions	The computer monitor at the Board of Supervisor's office failed and had to be replaced.
09-26-05	Bridge repairs	26,050	Pearl River Paving	The Hickory Creek Bridge was a danger to the public and had to be repaired.

HANCOCK COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2005

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
01-19-05	Reverse 911 Interactive Community Notification System	\$ 50,760	Sigma Communications

HANCOCK COUNTY

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HANCOCK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HANCOCK COUNTY

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HANCOCK COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2005

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the primary government financial statements:

Governmental activities	Disclaimer
General Fund	Disclaimer
Road Maintenance Fund	Disclaimer
4.5 Million Bond Issue Roof/Road 2005 Fund	Disclaimer
Aggregate remaining fund information	Disclaimer

2. Internal control over financial reporting:
 - a. Material weakness identified? No
 - b. Reportable condition identified that is not considered to be a material weakness? 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 condition identified that is not considered to be a material weakness? None Reported

5. Type of auditor's report issued on compliance for major federal programs: Disclaimer

6. Any audit findings reported as required by Section __.510(a) of Circular A-133? Yes

7. Federal programs identified as major programs:
 - a. Coastal zone management administration awards, CFDA #11.419
 - b. Highway planning and construction, CFDA #20.205
 - c. Disaster grants - public assistance, CFDA #97.036

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

HANCOCK COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2005

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? Yes

Section 2: Financial Statement Findings

Because sufficient competent evidential matter was either lost or destroyed due to the effects of Hurricane Katrina, we were unable to consider the county's internal control over financial reporting, nor were we able to perform tests of the county's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on financial statement amounts.

Section 3: Federal Award Findings and Questioned Costs

05-1. Finding

Program: Coastal Zone management administration awards, CFDA #11.419, U.S. Department of Commerce, passed-through the Mississippi Department of Environmental Quality

Compliance Requirement: Activities allowed or unallowed
 Allowable costs/cost principles
 Davis-Bacon Act
 Equipment and real property management
 Matching, level of effort, earmarking
 Reporting
 Subrecipient monitoring
 Special tests and provisions

Program: Highway planning and construction, CFDA #20.205, U.S. Department of Transportation, passed-through the Mississippi Department of Transportation

Compliance Requirement: Activities allowed or unallowed
 Allowable costs/cost principles
 Matching, level of effort, earmarking
 Program income
 Reporting
 Special test and provisions

Program: Disaster grants - public assistance, CFDA #97.036, U.S. Department of Homeland Security, passed-through the Mississippi Emergency Management Agency

Compliance Requirement: Activities allowed or unallowed
 Allowable costs/cost principles
 Reporting
 Special test and provisions

Since sufficient competent evidential matter was either lost or destroyed due to the effects of Hurricane Katrina and was not available to document and support activities allowed or unallowed, allowable costs/cost principles, eligibility, period of availability of funds, procurement, suspension and debarment and special tests and provisions, we were unable to express and do not express an opinion on the county's compliance with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

HANCOCK COUNTY

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

HANCOCK COUNTY

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TIMOTHY A. KELLAR
Hancock County Chancery Clerk

P.O. Box 429 • Bay Saint Louis, Mississippi 39520
601-467-5404 or 1-800-456-5404

CORRECTIVE ACTION PLAN

February 7, 2007

Office of the State Auditor
P.O. Box 956
Jackson, Mississippi 39205

Gentlemen:

Hancock County, Mississippi, respectfully submits the following corrective action plan for the year ended September 30, 2005.

The finding from the Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results and Section 2: Financial Statement Findings do not include findings and are not addressed.

SECTION 3: FEDERAL AWARD FINDINGS

05-1. Corrective Action Planned: The county is investigating funding sources to enhance recordkeeping and prevent loss of documents from catastrophic events such as hurricanes, floods or fires.

Anticipated Completion Date: The county hopes to having funding in place by the end of Fiscal 2007 and hopes to have the project implemented by the end of Fiscal 2009.

Name of Contact Person Responsible for Corrective Action: Timothy Kellar-County Administrator.

Sincerely yours,



Timothy A. Kellar
County Administrator
(228)467-5404



TIMOTHY A. KELLAR
Hancock County Chancery Clerk

P.O. Box 429 • Bay Saint Louis, Mississippi 39520
601-467-5404 or 1-800-456-5404

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For Year Ended September 30, 2005

Office of the State Auditor
P.O. Box 956
Jackson, Mississippi 39205

Gentlemen:

Hancock County, Mississippi, respectfully submits the following summary schedule of prior audit findings relative to federal awards.

2004 - FINDING NO. 04-6: Project impact hazard mitigation, CFDA No. 83.551.

Condition:

The county received \$70,000 federal funds and deposited the funds into the county depository, a NOW account which is swept into a REPO account. Both of the interest-bearing accounts earn 1.70% interest. County personnel are not providing quarterly updates on the Project Impact Interest and Loan Rebate Program.

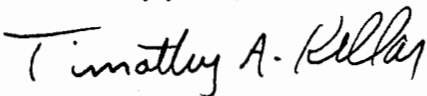
Recommendation:

Open a non-interest bearing bank account with a county depository and move the federal \$70,000 to that account. Compute the amount of interest earned by the federal funds while in the county's interest bearing accounts and reimburse the federal government with local funds. County personnel should actively oversee the program and provide the Board of Supervisors with quarterly updates.

Current Status:

County personnel have contacted the federal agency for information regarding refunding the balance of these grant funds with interest back to the federal agency. The program these funds were intended for is no longer a feasible option due to other state and federal grant programs available to home owners at this time. We intend to return these funds with interest back to the federal agency as soon as possible.

Sincerely yours,



Timothy A. Kellar
County Administrator
(228)467-5404

