



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

Hancock County, Mississippi
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2014



September 25, 2015

Members of the Board of Supervisors
Hancock County, Mississippi

Dear Board Members:

We are pleased to submit to you the 2014 financial and compliance audit report for Hancock County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

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

Respectfully submitted,

A handwritten signature in black ink that reads "Ty Necaise". The signature is written in a cursive, flowing style.

Ty J Necaise, MBA, CPA

12199 Highway #9, Ste. 400, Gulfport MS 39503
(228) 236-3622

Ty J. Necaise, MBA, CPA
ty@necaiseco.com

3590 Rocky Hill Dedeaux Road, Kiln MS 39556
(228) 255-6451

Member of the American Institute of Certified Public Accountants, Mississippi Society of Certified Public Accountants and
Association of Certified Fraud Examiners

Hancock County, Mississippi
Table of Contents

FINANCIAL SECTION	1
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS	
Statement of Net Position	6
Statement of Activities	7
Balance Sheet – Governmental Funds	8
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	9
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	11
Statement of Net Position – Proprietary Funds	12
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	13
Statement of Cash Flows – Proprietary Funds	14
Statement of Fiduciary Assets and Liabilities	15
Notes to Financial Statements	16
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)	
General Fund	34
Countywide Road Maintenance Fund	35
Notes to the Required Supplementary Information	36
SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards	38
Notes to the Schedule of Expenditures of Federal Awards	40
OTHER INFORMATION	
Schedule of Surety Bonds for County Officials	42
SPECIAL REPORTS	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	48
Independent Accountant's Report on Central Purchasing System, Inventory Control System Purchase Clerk Schedules (Required by Section 31-7-115, Miss Code Ann. – 1972)	50
Limited Internal Control and Compliance Review Management Report	52
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	56
CORRECTIVE ACTION PLAN	59

FINANCIAL SECTION

Independent Auditor's Report

Members of the Board of Supervisors
Hancock County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hancock County, Mississippi, as of the year ended September 30, 2014, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units and Qualified Opinion on Governmental Activities, Each Major Fund and the Aggregate Remaining Fund Information

The financial statements do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financials. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

As discussed in the Schedule of Findings and Questioned Costs, management did not maintain adequate controls over recording of expenditures. A significant percentage of disbursements tested were classified incorrectly, which could lead to significant misstatements in the County's financial statements. Accounting principles generally accepted in the United States of America require that adequate controls be maintained to ensure that disbursements are adequately recorded and documented. The amount by which the departure would affect the assets, net position and expenditures of the County's financial statements is not reasonably determinable.

Adverse Opinion on the Aggregate Discretely Presented Component Units and Qualified Opinion on Governmental Activities, Each Major Fund and the Aggregate Remaining Fund Information

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Hancock County, Mississippi, as of September 30, 2014, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, except for the effects of the matter discussed in paragraph seven, the financial statements referred previously present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Hancock County, Mississippi, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Hancock County, Mississippi has not presented Management's Discussion and Analysis and the Schedule of Funding Progress – Other Postemployment Benefits that are not a required part of the basic financial statements but are 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 who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reported dated September 25, 2015, on our consideration of Hancock County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hancock County, Mississippi's internal control over financial reporting and compliance.

Necaise & Company PLLC

Necaise & Company PLLC
Kiln, Mississippi 39556
September 25, 2015

FINANCIAL STATEMENTS

Hancock County, Mississippi
Statement of Net Position
September 30, 2014

Exhibit 1

ASSETS

Cash	\$ 16,417,297
Property tax receivable	17,294,157
Fines receivable, net	1,032,779
Intergovernmental receivables	8,666,720
Capital assets:	
Nondepreciable capital assets	44,958,596
Depreciable capital assets, net	<u>122,467,227</u>
Total Assets	<u>210,836,776</u>

LIABILITIES

Accounts payable and accrued liabilities	904,176
Due to other governmental agencies	521,825
Accrued interest payable	50,406
Claims and judgments payable	217,485
Other payables	249,988
Long-term liabilities:	
Compensated absences	53,221
Portion due within one year	
Capital debt	1,175,000
Noncapital debt	75,000
Portion due after one year	
Capital debt	2,345,000
Noncapital debt	<u>234,000</u>
Total Liabilities	<u>5,826,101</u>

DEFERRED INFLOWS OF RESOURCES

Property tax for future reporting period	<u>17,294,157</u>
Total Deferred Inflows of Resources	<u>17,294,157</u>

NET POSITION

Net investment in capital assets	163,905,823
Restricted for:	
General government	3,380,841
Public safety	4,055,623
Public works	4,367,846
Conservation of natural resources	1,776
Culture and recreation	51,735
Economic development	782,727
Debt services	1,512,283
Unrestricted	<u>9,657,864</u>
Total Net Position	<u>\$ 187,716,518</u>

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

Hancock County, Mississippi
 Statement of Activities
 For the Year Ended September 30, 2014

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
General government	\$ 10,361,755	\$ 226,285	\$ 234,308	\$ 401,169	\$ (9,499,993)
Public safety	8,675,773	1,520,394	4,531,919	2,226,559	(396,901)
Public works	3,635,777	975,282	534,112	4,962,309	2,835,926
Health and welfare	1,995,212	64,511	241,096	251,881	(1,437,724)
Culture and recreation	1,690,485	180,074	310,752	2,180,037	980,378
Conservation of natural resources	308,011	-	-	-	(308,011)
Economic development and assistance	71,421	125,832	90,326	3,677,319	3,822,056
Interest on long-term debt	140,810	-	-	-	(140,810)
Total governmental activities	\$ 26,879,244	\$ 3,092,378	\$ 5,942,513	\$ 13,699,274	\$ (4,145,079)
General revenues:					
Property taxes					\$ 19,669,875
Road and bridge privilege taxes					656,332
Grants and contributions not restricted to specific programs					792,207
Unrestricted interest income					369,937
Miscellaneous					6,702,458
Total general revenues					28,190,809
Change in Net Position					24,045,730
Net position, October 1, 2013, as previously reported					156,563,696
Effect of prior period adjustment					7,107,092
Net position, October 1, 2013, restated					163,670,788
Net position, September 30, 2014					\$ 187,716,518

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

Hancock County, Mississippi
 Balance Sheet – Governmental Funds
 September 30, 2014

Exhibit 3

	General Fund	County-wide		Totals
		Road Maintenance Fund	Other Governmental Funds	
ASSETS				
Cash	\$ 2,680,787	\$ 807,871	\$ 12,733,895	\$ 16,222,553
Receivables:				
Property tax	10,793,757	922,269	5,578,131	17,294,157
Fines, net	1,032,779	-	-	1,032,779
Due from other funds	7,505,863	52,684	55,932	7,614,479
Intergovernmental receivables	470,690	132,501	3,176,894	3,780,085
Total Assets	<u>\$ 22,483,876</u>	<u>\$ 1,915,325</u>	<u>\$ 21,544,852</u>	<u>\$ 45,944,053</u>
LIABILITIES				
Accounts payable	\$ 773,793	\$ 54,817	\$ 270,310	\$ 1,098,920
Intergovernmental payables	521,825	-	-	521,825
Due to other funds	117,897	-	7,505,863	7,623,760
Other payables	257,417	-	-	257,417
Total Liabilities	<u>1,670,932</u>	<u>54,817</u>	<u>7,776,173</u>	<u>9,501,922</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	10,793,757	922,269	5,578,131	17,294,157
Unavailable revenue - fines	1,032,779	-	-	1,032,779
Total Deferred Inflows of Resources	<u>11,826,536</u>	<u>922,269</u>	<u>5,578,131</u>	<u>18,326,936</u>
FUND BALANCES				
Restricted:				
General government	703,284	-	2,677,557	3,380,841
Public safety	1,970,091	-	1,611,607	3,581,698
Public works	-	458,964	3,360,714	3,819,678
Conservation of natural resources	-	-	1,776	1,776
Culture and recreation	12,863	-	38,872	51,735
Economic development	-	-	782,727	782,727
Debt services	-	-	1,562,689	1,562,689
Committed:				
Public safety	-	-	473,925	473,925
Public works	-	479,275	68,893	548,168
Unassigned	6,300,170	-	(3,128,889)	3,171,281
Total Fund Balances	<u>8,986,408</u>	<u>938,239</u>	<u>8,190,548</u>	<u>18,115,195</u>
Total Liabilities and Fund Balances	<u>\$ 22,483,876</u>	<u>\$ 1,915,325</u>	<u>\$ 21,544,852</u>	<u>\$ 45,944,053</u>

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

Hancock County, Mississippi
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position
September 30, 2014

Exhibit 3-1

Total Fund Balance - Governmental Funds	\$ 18,115,195
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$87,821,885.	167,425,823
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	6,130,868
Long-term liabilities are not due and payable in the current period and accordingly are not reported in the funds.	
Compensated absences	(53,221)
Long-term liabilities	(3,829,000)
Interest on long-term debt	(50,406)
Internal Service Funds are used by management to charge the costs of certain activities, such as supplies, to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities of the Statement of Net Position.	<u>(22,741)</u>
Total Net Position - Governmental Activities	<u>\$ 187,716,518</u>

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

Hancock County, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended September 30, 2014

	General Fund	County-wide		Totals
		Road Maintenance Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 13,248,563	\$ 810,616	\$ 5,875,542	\$ 19,934,721
Road and bridge privilege taxes	-	656,332	-	656,332
Licenses, commissions and other revenue	1,134,930	734,085	502,313	2,371,328
Fines and forfeitures	763,988	80,343	26,372	870,703
Intergovernmental revenues	1,405,165	-	18,783,209	20,188,374
Charges for services	1,125,230	-	-	1,125,230
Interest	331,102	1,472	37,363	369,937
Other revenues	1,551,350	471,916	3,432,193	5,455,459
Total revenues	<u>19,560,328</u>	<u>2,754,764</u>	<u>28,656,992</u>	<u>50,972,084</u>
EXPENDITURES				
Current:				
General government	8,214,614	-	2,012,057	10,226,671
Public safety	8,765,271	-	3,286,845	12,052,116
Public works	177,066	2,327,816	9,733,685	12,238,567
Health and welfare	1,610,415	-	266,217	1,876,632
Culture and recreation	955,870	-	2,761,476	3,717,346
Conservation of natural resources	308,011	-	-	308,011
Economic development and assistance	492,540	-	4,485,920	4,978,460
Debt service:				
Principal	210,000	-	989,000	1,199,000
Interest	13,800	-	109,649	123,449
Total expenditures	<u>20,747,587</u>	<u>2,327,816</u>	<u>23,644,849</u>	<u>46,720,252</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,187,259)</u>	<u>426,948</u>	<u>5,012,143</u>	<u>4,251,832</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,481,596	44,997	735,323	3,261,916
Transfers out	(1,618,571)	(99,000)	(1,997,532)	(3,715,103)
Sale of assets	45,617	9,217	13,963	68,797
Total other financing sources (uses)	<u>908,642</u>	<u>(44,786)</u>	<u>(1,248,246)</u>	<u>(384,390)</u>
Net change in fund balances	(278,617)	382,162	3,763,897	3,867,442
Fund balances, October 1, 2013	9,265,025	556,077	4,426,651	14,247,753
Fund balances, September 30, 2014	<u>\$ 8,986,408</u>	<u>\$ 938,239</u>	<u>\$ 8,190,548</u>	<u>\$ 18,115,195</u>

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

Hancock County, Mississippi
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2014

Exhibit 4-1

Net Changes in Fund Balances - Governmental Funds \$ 3,867,442

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	22,257,930
Depreciation expense	(2,728,796)

Fine revenue recognized on the modified cash basis in the funds during the current year is decreased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(145,214)
---	-----------

Grant revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(638,610)
---	-----------

Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount of debt repayments.	1,199,000
--	-----------

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.	220,312
---	---------

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:

Compensated absences	(3,695)
Accrued interest	17,361

Changes in Net Position of Governmental Activities	<u>\$ 24,045,730</u>
--	----------------------

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

Hancock County, Mississippi
Statement of Net Position – Proprietary Fund
September 30, 2014

Exhibit 5

ASSETS

Current assets:

Cash \$ 194,744

Total assets 194,744

LIABILITIES

Current liabilities:

Claims payable 217,485

Total liabilities 217,485

NET POSITION

Restricted for health insurance

Total net position \$ (22,741)

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

Hancock County, Mississippi
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund
For the Year Ended September 30, 2014

Exhibit 6

	<i>Self-insurance Internal Service Fund</i>
	<u> </u>
OPERATING REVENUES	
Premiums	\$ 3,028,973
Refunds	<u>482,205</u>
Total operating revenues	<u>3,511,178</u>
OPERATING EXPENSES	
Claims and administrative payments	2,437,602
Insurance premiums	<u>1,307,178</u>
Total operating expenses	<u>3,744,780</u>
Operating income (loss)	<u>(233,602)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	<u>727</u>
Total nonoperating revenue (expenses)	<u>727</u>
Transfers In	456,173
Transfers Out	<u>(2,986)</u>
Change in net position	220,312
Total net position, October 1, 2013	<u>(243,053)</u>
Total net position, September 30, 2014	<u>\$ (22,741)</u>

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

Hancock County, Mississippi
Statement of Cash Flows – Proprietary Fund
For the Year Ended September 30, 2014

Exhibit 7

Cash flows from operating activities:

Cash received for premiums	\$ 3,028,973
Cash received for refunds	482,205
Other cash receipts	453,187
Payments for claims and administrative	(2,591,515)
Payments for insurance premiums	<u>(1,307,178)</u>
Net cash flows provided (used) by operating activities	<u>65,672</u>

Cash flows from investing activities:

Interest received	<u>727</u>
Net cash provided (used) by investing activities	<u>727</u>
Net increase (decrease) in cash	66,399
Cash at beginning of year	<u>128,345</u>
Cash at end of year	<u>\$ 194,744</u>

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

Operating income (loss)	\$ (233,602)
Adjustments to reconcile net operating income to cash provided by operating activities:	
Increase/(decrease) in current liabilities:	
Claims and judgments liability	(153,913)
Interfund transfers	<u>453,187</u>
Net cash flows provided (used) by operating activities	<u>\$ 65,672</u>

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

Hancock County, Mississippi
Statement of Fiduciary Assets and Liabilities
September 30, 2014

Exhibit 8

Assets

Current assets:

Cash	\$ 384,721
Due from other funds	<u>9,281</u>
Total assets	<u><u>394,002</u></u>

Liabilities

Current liabilities:

Amounts held in custody of others	283,950
Due to other governments	<u>100,771</u>
Total liabilities	<u><u>\$ 394,002</u></u>

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

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 1: Summary of Significant Accounting Policies

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

Reporting Entity

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

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
- Fenton Fire Protection District
- Kiln Utility and Fire District
- Leetown Fire Protection District
- West Hancock Fire Protection District
- Post 58 Fire Protection District
- Hancock County Water and Sewer District
- Hancock County Human Resource Agency
- Hancock County Medical Center
- Hancock County Port and Harbor Commission
- Pearlinton 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-Collector
- Sheriff

Blended Component Units

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

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 1: Summary of Significant Accounting Policies (continued)

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

Basis of Presentation

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

Measurement Focus and Basis of Accounting

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

The County's Proprietary Fund applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 1: Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

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.

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

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 1: Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

Account Classifications

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

Deposits and Investments

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

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

Receivables

Receivables are reported net of allowances for uncollectible accounts, where applicable. As of September 30, 2014, the County's allowance for uncollectible accounts totaled \$ 3,310,963.

Interfund Transactions and Balances

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

Inventory

Inventories are valued at cost, which approximates market, using the first-in/first-out method.

Capital Assets

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

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 1: Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

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

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

The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life (years)
Land	\$ -	N/A
Infrastructure	-	20-50
Buildings	50,000	40
Improvements other than buildings	25,000	20
Mobile equipment	5,000	5-10
Furniture and equipment	1,000	3-7
Leased property under capital leases	*	*

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

Deferred Outflows/Inflows of Resources

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

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

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

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

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 1: Summary of Significant Accounting Policies (continued)

Long-term Liabilities

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

Equity Classifications

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

Government fund balance is classified as nonspendable, restricted, committed, or unassigned. The following are descriptions of fund classifications used by the County:

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund. The County did not report a nonspendable fund balance in 2014.

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

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

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 1: Summary of Significant Accounting Policies (continued)

Equity Classifications (continued)

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

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

Property Tax Revenues

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

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

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

Intergovernmental Revenues in Governmental Funds

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

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.

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 1: Summary of Significant Accounting Policies (continued)

Changes in Accounting Standards

Hancock County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.
- GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements 10 and 62*.

Note 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 recorded in current year, but purchased in prior years	\$ 5,927,125
Correction to grant receivable balance	1,053,239
Change in reporting compensated absences	<u>126,728</u>
Total prior period adjustments	<u>\$ 7,107,092</u>

Note 3: Deposits

Primary Government

The carrying amount of the County's total deposits with financial institutions at September 30, 2014, was \$16,802,018, and the bank balance was \$16,222,553. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. 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.

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 4: Interfund Receivables and Payables

The following is a summary of interfund balances at September 30, 2014:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Hurricane Isaac Fund	\$ 645,531
	Coastal Impact Assistance	933,907
	Hazard Mitigation Generators	412,814
	Government Annex	72,893
	Emergency Operations Center (CDBG)	218,364
	Emergency Operations Center (HMGP)	1,375,196
	Farmers Market	111,663
	Longfellow Civic Center	121,998
	Hurricane Katrina Fund	2,303,546
	Health & Human Services Building	756,207
	Shelters	522,824
	Scenic Byways	30,920
Road Maintenance Funds	General Fund	52,684
Other Governmental Funds	General Fund	55,932
Agency Fund	General Fund	9,281
		<u>9,281</u>
		<u>\$ 7,623,760</u>

The receivables represent the tax revenue collected but not settled to the County until October 2014, along with temporary cash loans for grants receivable. All interfund balances are expected to be repaid within one year from the date of the financial statements.

Transfers In/Out

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	General Fund	\$ 530,468
	Other Governmental Funds	1,948,142
	Internal Service Fund	2,986
Road Maintenance Funds	General Fund	12,093
	Other Governmental Funds	32,904
Other Governmental Funds	General Fund	619,837
	Road Maintenance Funds	99,000
	Other Governmental Funds	16,486
Internal Service Funds	General Fund	456,173
		<u>456,173</u>
		<u>\$ 3,718,089</u>

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

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 5 Intergovernmental Receivables

Intergovernmental receivables at September 30, 2014, consisted of the following:

<i>Description</i>	<u><i>Amount</i></u>
Legislative tag credit	\$ 274,128
Community development block grants	337,838
Disaster recovery assistance	2,226,447
Coastal impact assistance	660,552
Due from state	239,167
Various federal and local sources	<u>41,953</u>
Total intergovernmental receivables	<u>\$ 3,780,085</u>

Note 6: Loans Receivable

At the beginning of the fiscal year, the County had a loan receivable of \$35,000 from Pearlinton Water and Sewer District. The loan originated in 1998 and was provided as start-up capital to help the Water District begin operations. The loan was repaid by Pearlinton in 2014.

Note 7: Capital Assets

	<u><i>Balance</i></u> <u><i>10/1/2013</i></u>	<u><i>Prior Period</i></u> <u><i>Adjustment</i></u>	<u><i>Additions</i></u>	<u><i>Reductions</i></u>	<u><i>Balance</i></u> <u><i>9/30/2014</i></u>
Capital assets, not being depreciated					
Land	\$ 5,757,945	\$ 5,927,125	\$ 995,000	\$ -	\$ 12,680,070
Construction in progress	<u>21,902,064</u>	<u>-</u>	<u>15,064,938</u>	<u>(4,688,476)</u>	<u>32,278,526</u>
Total capital assets, not being depreciated	<u>27,660,009</u>	<u>5,927,125</u>	<u>16,059,938</u>	<u>(4,688,476)</u>	<u>44,958,596</u>
Capital assets, being depreciated					
Infrastructure	110,783,484	-	2,183,435	-	112,966,919
Building and improvements	84,181,950	-	3,198,217	(614,670)	86,765,497
Improvement other than buildings	2,392,749	-	235,321	-	2,628,070
Mobile equipment	6,101,208	-	365,526	(213,009)	6,253,725
Furniture and equipment	<u>4,023,404</u>	<u>-</u>	<u>215,493</u>	<u>(81,929)</u>	<u>4,156,968</u>
Total capital assets, being depreciated	<u>207,482,795</u>	<u>-</u>	<u>6,197,992</u>	<u>(909,608)</u>	<u>212,771,179</u>
Less accumulated depreciation for:					
Infrastructure	76,328,106	-	95,483	-	76,423,589
Building and improvements	4,381,719	-	1,734,334	(82,476)	6,033,577
Improvement other than buildings	235,994	-	105,129	-	341,123
Mobile equipment	4,227,473	-	416,287	(134,821)	4,508,939
Furniture and equipment	<u>2,648,593</u>	<u>-</u>	<u>377,563</u>	<u>(29,432)</u>	<u>2,996,724</u>
Total accumulated depreciation	<u>87,821,885</u>	<u>-</u>	<u>2,728,796</u>	<u>(246,729)</u>	<u>90,303,952</u>
Total capital assets, being depreciated, net	<u>119,660,910</u>	<u>-</u>	<u>3,469,196</u>	<u>(662,879)</u>	<u>122,467,227</u>
Capital assets, net	<u>\$ 147,320,919</u>	<u>\$ 5,927,125</u>	<u>\$ 19,529,134</u>	<u>\$ (5,351,355)</u>	<u>\$ 167,425,823</u>

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 7: Capital Assets (continued)

Depreciation expense was charged to the following functions:

General government	\$ 722,646
Public safety	1,347,947
Public works	428,787
Health and welfare	124,601
Culture and recreation	289,131
	<u>\$ 2,728,796</u>

Commitments with respect to unfinished capital projects at September 30, 2014, consisted of the following:

<u>Description</u>	<u>Remaining Financial Commitment</u>
Kiln & Lakeshore Walking Trail	\$ 1,043,785
Ansley/Lakeshore Sewer Project	3,523,228
Emergency Operations Center Ph II	1,073,197
Selex	6,262,748
Rolls Royce	130,809
Beach Pathway	352,683
Lazy Magnolia Brewery	564,310
Sports Complex	4,467,986
Stennis Airport Terminal	1,274,191
Waveland Sewer Project	2,241,119
	<u>\$ 20,934,056</u>

Note 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 \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2014 to January 1, 2015. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The County is exposed to risk of loss relating to employee health, accident and dental coverage. Beginning in 2002 and pursuant to Section 25-15-101, Miss. Code Ann. (1972), the County established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss. Under the plan, amounts payable to the risk management fund are based on actuarial estimates. Each employee pays a portion of his/her premium through a payroll deduction. Hancock County pays the remaining portion of the premium on a single coverage policy for its 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.

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 8: Claims and Judgments (continued)

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 the potential loss:

The County has coinsurance which functions on specific stop loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$80,000; however, the specific coverage is limited to a maximum benefit for specific losses of \$920,000.

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, 2014, the amount of these liabilities was \$125,907. An analysis of claims activities is presented below:

	<u>2013</u>	<u>2014</u>
Unpaid Claims, Beginning of Fiscal Year	\$ 253,326	\$ 371,398
Plus: Incurred Claims (Including IBNRs)	2,658,875	2,234,046
Less: Claim Payments	<u>2,540,803</u>	<u>2,387,959</u>
Unpaid Claims, End of Fiscal Year	<u>\$ 371,398</u>	<u>\$ 217,485</u>

Note 9: Other Postemployment Benefits

Plan Description

The County Board of Supervisors administers the County's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County's health insurance plan may be amended by the County Board of Supervisors. The County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. However, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

Funding Policy

Employees' premiums are funded by the County with additional funding provided by retired employees and by active employees for spouse and dependent medical coverage. The Plan is financed on a pay-as-you-go basis. The Board of Supervisors, acting in conjunction with the commercial insurance company, has the sole authority for setting health insurance premiums for the County's health insurance plan. Per Section 25-15-103, Mississippi Code Ann. (1972), any retired employee electing to purchase retiree health insurance must pay the full cost of the insurance premium monthly to the County.

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 10: Long-term Debt

The following is a summary of change in long-term liabilities and obligations for the year ended September 30, 2014:

	<i>Balance</i>				<i>Balance</i>	<i>Due Within</i>
	<u>10/1/2013</u>	<i>Additions</i>	<i>Payments</i>	<i>Adjustments*</i>	<u>9/30/2014</u>	<u>One Year</u>
General obligation bonds	\$ 3,265,000	\$ -	\$ (915,000)	\$ -	\$ 2,350,000	\$ 965,000
Limited obligation bonds	1,763,000	-	(284,000)	-	1,479,000	285,000
Compensated absences	<u>176,253</u>	<u>9,313</u>	<u>(5,617)</u>	<u>(126,728)</u>	<u>53,221</u>	<u>-</u>
Total	<u>\$ 5,204,253</u>	<u>\$ 9,313</u>	<u>\$ (1,204,617)</u>	<u>\$ (126,728)</u>	<u>\$ 3,882,221</u>	<u>\$ 1,250,000</u>

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

* Compensated absences were restated in 2014 to remove the sick leave portion. Sick leave is not paid when an employee retires and is only available to use during employment. Therefore it is not likely the County will realize the cost.

Bonds outstanding as of September 30, 2014, consisted of the following:

	<i>Original</i>	<i>Balance</i>	
	<u>Amount</u>	<u>9/30/2014</u>	<u>Maturity</u>
Roof and Road General Obligation Bond, Series 2005	\$ 4,500,000	\$ 535,000	2015
Unlimited General Obligation Refunding Bond, Series 2007	4,005,000	1,815,000	2018
MBIA Limited Obligation Bond, Series 2001	3,300,000	1,170,000	2016
Library Limited Obligation Bond, Series 2010	<u>600,000</u>	<u>309,000</u>	2018
Total	<u>\$ 12,405,000</u>	<u>\$ 3,829,000</u>	

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

<i>Year Ending</i> <i>September 30,</i>	<u>General Obligation Bonds</u>		<u>Limited Obligation Bonds</u>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2015	965,000	71,248	285,000	17,107
2016	445,000	42,522	1,037,000	13,695
2017	460,000	27,930	78,000	2,747
2018	480,000	9,480	79,000	1,383
thereafter	-	-	-	-
Total	<u>\$ 2,350,000</u>	<u>\$ 151,180</u>	<u>\$ 1,479,000</u>	<u>\$ 34,932</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 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, 2014, the amount of outstanding debt was equal to 1.05% of the latest property assessments.

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 11: Deficit Fund Balances of Individual Funds

The following funds reported deficits in fund balances at September 30, 2014:

<i>Fund</i>	<i>Deficit</i>
Hurricane Katrina Fund	\$ 77,099
Hurricane Isaac Fund	666,344
Coastal Impact Assistance	273,355
Hazard Mitigation Generator Fund	412,814
Government Annex Fund	72,893
EOC - Homeland Security Fund	1,375,290
Health and Human Service Fund	756,207
Farmer Market	111,663
Longfellow Civic Center Building Fund	121,998
Shelter Fund	522,825
Scenic Byways	30,920

Note 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 due to the fact that such estimates cannot be made.

Litigation

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

General Obligation Debt

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

Hospital Revenue Bond

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

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 13: No Commitment Debt

No commitment debt is repaid only by the entities for whom debt was issued and includes debt that either bears the County's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the County other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the County's own ability to borrow, the principal amount of such debt outstanding at year end is approximately \$5,000,000.

Note 14: Related Organizations

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

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

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

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

Note 15: Joint Ventures

The county participates in the following joint ventures:

Hancock County is a participant with the Cities of Bay St. Louis and Waveland in a joint venture, authorized by Section 49-17-171, Miss. Code Ann. (1972), to operate the Hancock County Utility Authority. The joint venture was created to provide wastewater management. The Hancock County Board of Supervisors appoints one of the seven members of the board of directors. Complete financial statements for the Hancock County Utility Authority 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 \$1,382,500 in fiscal year 2014. 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 Solid Waste Authority. The joint venture was created to collect and dispose of solid waste for the members of the authority. The Hancock County Board of Supervisors appoints two of the six members of the board of directors. The county's appropriation paid to the joint ventures was \$828,000 in fiscal year 2014. Complete financial statements for the Hancock County Solid Waste Authority can be obtained from Compton Engineering, P.A., 3036 Longfellow Drive, Bay St. Louis, MS 39520.

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 16: Jointly Governed Organizations

The county participates in the following jointly governed organizations:

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

Region XIII Commission for Mental Health and Mental Retardation operates in a district composed of the Counties of Hancock, Harrison, Pearl River and Stone. The governing body is a four-member board of commissioners, one appointed by the Board of Supervisors of each of the member counties. The county appropriated \$94,000 for the support of the agency in fiscal year 2014.

Pearl River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion, and Pearl River. The Hancock County Board of Supervisors appoints two of the 16 members of the college board of trustees. The county appropriated \$1,016,000 for maintenance and support of the college in fiscal year 2014.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Hancock County Board of Supervisors appoints one of the 27 members of the board of directors. The county appropriated \$10,982 for support of the district in fiscal year 2014.

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 company appropriated \$12,887 for support of the district in fiscal year 2014.

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

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

Note 17: Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2014, 2013, and 2012 were \$1,507,236, \$1,446,389 and \$1,238,197, respectively, equal to the required contributions for each year.

Hancock County, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 18: Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Hancock County evaluated the activity of the county through September 25, 2015, (the date the financial statements were available to be issued), and determined the following significant subsequent events have occurred requiring disclosure in the notes of the financial statements:

In 2015, the County received approximately \$2.1M in reimbursement from expenditures related to Hurricane Katrina. A large portion of the reimbursement was from expenditures older than three years and the County was uncertain of their collectability. A grant receivable was booked in the current year.

The County currently reports approximately \$5M in non-commitment debt. However, in 2015 the agreement to pay the debt in lieu of taxes between DAK Industries and Hancock County is set to expire, and the County could potentially be responsible for paying a \$5M balloon note. At the time of this report, the County is unable to determine if a new agreement with DAK Industries will be established, or if the note will be refunded with a bond issuance.

REQUIRED SUPPLEMENTARY INFORMATION

Hancock County, Mississippi
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)
For the Year Ended September 30, 2014

	<u>General Fund</u>			<i>Variance with</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
	<i>Budget</i>	<i>Budget</i>	<i>(Budgetary</i>	<i>Positive</i>
			<i>Basis)</i>	<i>(Negative)</i>
<i>Revenues</i>				
Property taxes	\$ 11,313,200	\$ 11,313,652	\$ 12,102,508	\$ 788,856
Licenses, commission and other revenue	894,950	897,050	915,856	18,806
Fines and forfeitures	615,000	615,000	707,172	92,172
Intergovernmental revenues	3,717,673	3,937,518	3,646,825	(290,693)
Charges for services	901,000	902,607	1,001,083	98,476
Interest income	206,345	206,345	331,080	124,735
Miscellaneous	<u>227,800</u>	<u>227,800</u>	<u>344,054</u>	<u>116,254</u>
Total revenues	<u>17,875,968</u>	<u>18,099,972</u>	<u>19,048,578</u>	<u>948,606</u>
<i>Expenses</i>				
<i>Current:</i>				
General government	7,764,221	8,663,000	8,175,344	487,656
Public safety	8,300,223	8,393,335	8,544,788	(151,453)
Public works	1,420,110	1,429,648	175,053	1,254,595
Health and welfare	1,656,713	1,657,221	1,524,456	132,765
Culture and recreation	844,485	922,412	916,202	6,210
Conservation of natural resources	316,188	314,582	306,872	7,710
Economic development and assistance	474,602	474,602	468,680	5,922
<i>Debt service:</i>				
Principal	210,000	210,000	210,000	-
Interest	<u>13,800</u>	<u>13,800</u>	<u>13,800</u>	<u>-</u>
Total expenditures	<u>21,000,342</u>	<u>22,078,600</u>	<u>20,335,195</u>	<u>1,743,405</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,124,374)</u>	<u>(3,978,628)</u>	<u>(1,286,617)</u>	<u>2,692,011</u>
<i>Other Financing Sources</i>				
Sale of asset	100,000	100,000	45,616	(54,384)
Transfers in	2,400,000	2,400,000	2,481,596	81,596
Transfers out	<u>(247,897)</u>	<u>(667,439)</u>	<u>(1,618,571)</u>	<u>(951,132)</u>
Total other financing sources	<u>2,252,103</u>	<u>1,832,561</u>	<u>908,641</u>	<u>(923,920)</u>
Net change in fund balance	(872,271)	(2,146,067)	(377,976)	1,768,091
Fund balance, October 1, 2013, restated	<u>9,733,195</u>	<u>9,733,195</u>	<u>9,733,195</u>	<u>-</u>
Fund balance, September 30, 2014	<u>\$ 8,860,924</u>	<u>\$ 7,587,128</u>	<u>\$ 9,355,219</u>	<u>\$ 1,768,091</u>

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

Hancock County, Mississippi
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)
For the Year Ended September 30, 2014

Countywide Road Maintenance Fund (Special Revenue)

	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance with</i>
	<i>Budget</i>	<i>Budget</i>	<i>(Budgetary</i>	<i>Final Budget</i>
	<i>Budget</i>	<i>Budget</i>	<i>Basis)</i>	<i>Positive</i>
				<i>(Negative)</i>
<i>Revenues</i>				
Property taxes	\$ 945,000	\$ 945,000	\$ 942,681	\$ (2,319)
Road and bridge privilege	550,000	550,000	524,267	(25,733)
Intergovernmental revenues	1,072,000	1,072,000	1,147,632	75,632
Interest income	1,400	1,400	1,472	72
Miscellaneous	<u>3,500</u>	<u>3,500</u>	<u>6,210</u>	<u>2,710</u>
Total revenues	<u>2,571,900</u>	<u>2,571,900</u>	<u>2,622,262</u>	<u>50,362</u>
<i>Expenses</i>				
Current:				
Public works	<u>2,559,158</u>	<u>2,571,251</u>	<u>2,262,497</u>	<u>308,754</u>
Total expenditures	<u>2,559,158</u>	<u>2,571,251</u>	<u>2,262,497</u>	<u>308,754</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,742</u>	<u>649</u>	<u>359,765</u>	<u>359,116</u>
<i>Other Financing Sources</i>				
Sale of assets	-	-	9,217	9,217
Transfers in	-	12,093	44,997	32,904
Transfers out	<u>(133,713)</u>	<u>(133,713)</u>	<u>(99,000)</u>	<u>34,713</u>
Total other financing sources	<u>(133,713)</u>	<u>(121,620)</u>	<u>(44,786)</u>	<u>76,834</u>
Net change in fund balance	(120,971)	(120,971)	314,979	435,950
Fund balance, October 1, 2013, restated	<u>492,890</u>	<u>492,890</u>	<u>492,890</u>	<u>-</u>
Fund balance, September 30, 2014	<u>\$ 371,919</u>	<u>\$ 371,919</u>	<u>\$ 807,869</u>	<u>\$ 435,950</u>

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

Hancock County, Mississippi
Notes to the Required Supplementary Information
For the Year Ended September 30, 2014

Note 1: Budgetary Information

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

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

Note 2: Basis of Presentation

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

Note 3: Budget/GAAP Reconciliation

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

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

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

	<i>Countywide</i>	
	<i>Road</i>	
	<i>Maintenance</i>	
	<u><i>Fund</i></u>	
	<u><i>General Fund</i></u>	<u><i>Fund</i></u>
Budget (cash basis), restated (see note 4)	\$ 9,355,219	\$ 807,869
Increase (decrease)		
Net adjustments for revenue accruals	373,674	185,184
Net adjustments for expenditure accruals	<u>(742,485)</u>	<u>(54,814)</u>
GAAP Basis	<u>\$ 8,986,408</u>	<u>\$ 938,239</u>

Note 4: Restated Balance

The beginning fund balances in the 'Actual (Budgetary Basis)' column on the Budgetary Comparison Schedule for the General Fund and the County Wide Road Maintenance Fund were restated to reconcile to the County's budgetary system.

SUPPLEMENTAL INFORMATION

Hancock County, Mississippi
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

<i>Federal Grantor/ Pass-Through Grantor Program Title</i>	<i>Federal CFDA Number</i>	<i>Program Number</i>	<i>Federal Expenditures</i>
Major Programs:			
<i>U.S. Department of Housing and Urban Development/ Mississippi Development Authority</i>			
Community Development Block Grant (state program)	14.228	R-118-023-02-HCCR	1,300,949
Community Development Block Grant (state program)	14.228	1126-09-023-PF-01	339,906
Community Development Block Grant (state program)	14.228	R-118-023-16-HCCR	8,424
Community Development Block Grant (state program)	14.228	R-103-023-03-KED	4,442,393
Community Development Block Grant (state program)	14.228	R-118-023-15-HCCR	6,929
Community Development Block Grant (state program)	14.228	R-118-023-20-HCCR	674,937
Community Development Block Grant (state program)	14.228	R-118-023-18-HCCR	325,757
Community Development Block Grant (state program)	14.228	1130-13-023-ED-01	86,698
Community Development Block Grant (state program)	14.228	R-128-023-05-HCED	214,173
Community Development Block Grant (state program)	14.228	R-128-023-07-HCED	974,877
Community Development Block Grant (state program)	14.228	R-128-023-06-HCED	<u>1,714,120</u>
			<u>10,089,163</u>
 <i>U.S. Department of Homeland Security/Mississippi Emergency Management Agency</i>			
Disaster Grants/Public Assistance Grant	97.036	1604 DR MS	625,329
Disaster Grants/Public Assistance Grant	97.036	1604 DR MS	<u>3,637</u>
			<u>628,966</u>
 <i>U.S. Department of Homeland Security/Mississippi Emergency Management Agency</i>			
Hazard Mitigation Grant	97.039	HMGP-F373-S851	625,329
Hazard Mitigation Grant	97.039	HMGP-1604-2075	<u>128,415</u>
			<u>753,744</u>
 <i>U.S. Department of the Interior/Mississippi Dept. of Archives & History</i>			
Coastal Impact Assistance Program	15.668	N/A	823,759
 Non-major Programs:			
<i>U.S. Department of Justice/Bureau of Justice Assistance</i>			
Bullet Proof Vest Grant	16.607	N/A	17,885
 <i>U.S. Department of Transportation/Federal Highway Administration/Mississippi Department of Transportation</i>			
Highway Planning and Construction	20.205	BR NBIS 081 B	17,390
 <i>U.S. Department of Justice/MS Department of Public Safety</i>			
Edward Byrne Memorial Assistance Grant	16.738	07HR1231	5,000
 <i>U.S. Department of Justice/Mississippi Department of Public Safety</i>			
Local Law Enforcement Block Grant	16.738	10LB1231	17,885
 <i>U.S. Department of Justice/Mississippi Department of Public Safety</i>			
Violence Against Women Formula Grant	16.588	10SL1231	19,579
 <i>Executive Office of the President</i>			
High Intensity Drug Trafficking Areas Program	95.001	N/A	11,149

(continued)

Hancock County, Mississippi
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

Highway Safety Cluster:

U.S. Department of Justice/Mississippi Department of Public Safety

Occupant Protection Incentive Grant	20.602	12OP1231	23,432
-------------------------------------	--------	----------	--------

National Highway Traffic Safety Administration/Division of Public Safety Planning

State and Community Highway Safety (DUI)	20.600	13-K81231	<u>97,411</u>
--	--------	-----------	---------------

120,843

Total Expenditures of Federal Awards

12,505,363

Hancock County, Mississippi
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

Note 1: Significant Accounting Policies

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

Note 2: Federal Grant Expenditures for Other Governments/Entities

The following are grants received and expended for other governments/entities in the fiscal year ended September 30, 2014.

<i>Project Name</i> <u>Grantor Program Title</u>	<i>Federal</i> <u>CFDA Number</u>	<i>Program Number</i> <u>Program Number</u>	<i>Federal</i> <u>Expenditures</u>
Ansley Sewer Project Community Development Block Grant (state program)	14.228	1126-09-023-PF-01	\$ 339,906
Nvision Community Development Block Grant (state program)	14.228	1130-13-023-ED-01	86,698
Stennis Airport Terminal Community Development Block Grant (state program)	14.228	R-118-023-18-HCCR	325,757
Stennis Airport Hanger Community Development Block Grant (state program)	14.228	R-128-023-05-HCED	214,173
SELEX Community Development Block Grant (state program)	14.228	R-128-023-06-HCED	<u>1,714,120</u>
			<u>\$ 2,680,654</u>

Note 3: Clusters of Programs

Clusters of programs are groupings of closely related programs that share common compliance requirements. The following programs were identified as part of a cluster:

<i>Federal Grantor/ Pass-Through</i> <u>Grantor Program Title</u>	<i>Federal</i> <u>CFDA Number</u>	<i>Program Number</i> <u>Program Number</u>	<i>Federal</i> <u>Expenditures</u>
<i>U.S. Department of Justice/Mississippi Department of Public Safety</i>			
Occupant Protection Incentive Grant	20.602	12OP1231	\$ 23,432
<i>National Highway Traffic Safety Administration/Division of Public Safety Planning</i>			
State and Community Highway Safety (DUI)	20.600	12-TA1231	<u>97,411</u>
			<u>\$ 120,843</u>

OTHER INFORMATION

Hancock County, Mississippi
Schedule of Surety Bonds for County Officials - Unaudited
For the Year Ended September 30, 2014

<u>Name</u>	<u>Title</u>	<u>Company</u>	<u>Coverage</u>
David Yarborough	Board of Supervisors - District 1	RLI Surety	100,000
Kenny Hoda	Board of Supervisors - District 2	Western	100,000
Lisa Cowand	Board of Supervisors - District 3	RLI Surety	100,000
Steve Seymour	Board of Supervisors - District 4	RLI Surety	100,000
Tony Ladner	Board of Supervisors - District 5	RLI Surety	100,000
Suzette Necaise	County Administrator	Travelers	100,000
Nancy Kelly	Comptroller	RLI Surety	100,000
Eric Church	Grant Administrator	RLI Surety	50,000
Michelle Cuevas	Inventory Control Clerk	RLI Surety	75,000
Gretchen L Karl	Accounts Receivable Clerk	Travelers	50,000
Michelle Cuevas	Accounts Receivable Clerk	RLI Surety	50,000
Tim Kellar	Chancery Clerk	RLI Surety	100,000
Pam Cuevas	Deputy Clerk	RLI Surety	50,000
Sheila Daniels	Deputy Clerk	RLI Surety	50,000
Marsha L Fothe	Deputy Clerk	RLI Surety	50,000
Gloria Jordan	Deputy Clerk	RLI Surety	50,000
Darlene L Lee	Deputy Clerk	RLI Surety	50,000
Katie R Lee	Deputy Clerk	RLI Surety	50,000
Karla McCarty	Deputy Clerk	RLI Surety	50,000
Heddi Morel	Deputy Clerk	RLI Surety	50,000
Larrinell Scarborough	Deputy Clerk	RLI Surety	50,000
Cassandra Tribble	Deputy Clerk	RLI Surety	50,000
Robin Benoit	Purchase Clerk	RLI Surety	75,000
Kathleen Brooks	Receiving Clerk	RLI Surety	75,000
Amy Dunn	Assistance Receiving Clerk	RLI Surety	50,000
April Wahl	Assistance Receiving Clerk	RLI Surety	50,000
Chere Hayward	Assistance Receiving Clerk	RLI Surety	50,000
Jeannie Spiers	Assistance Receiving Clerk	RLI Surety	50,000
John A. Evans	Assistance Receiving Clerk	RLI Surety	50,000
Kathlyeen Siebenkittle	Assistance Receiving Clerk	Travelers	50,000
Kendra Maggiore	Assistance Receiving Clerk	RLI Surety	50,000
Marisha Nores	Assistance Receiving Clerk	RLI Surety	50,000
Rachelle Garcia	Assistance Receiving Clerk	RLI Surety	50,000
Sandra Hoda	Assistance Receiving Clerk	RLI Surety	50,000
Theresa Beeson	Assistance Receiving Clerk	Travelers	50,000
Clelie Hecker	Assistance Receiving Clerk	Travelers	50,000
Whitney Cuevas	Assistance Receiving Clerk	RLI Surety	50,000
Sara Green	Assistance Receiving Clerk	RLI Surety	50,000
Jane W. Clayton	Assistance Receiving Clerk	RLI Surety	50,000
Theresa C. Beeson	Constable	RLI Surety	50,000
Terry Necaise	Constable	RLI Surety	50,000
Ray Seal	Constable	RLI Surety	50,000

(Continued on Next Page)

Hancock County, Mississippi
Schedule of Surety Bonds for County Officials - Unaudited
For the Year Ended September 30, 2014

<u>Name</u>	<u>Title</u>	<u>Company</u>	<u>Coverage</u>
Karen Rhur	Circuit Clerk	RLI Surety	100,000
Katharine Corr	Deputy Circuit Clerk	RLI Surety	50,000
Joleen Fore	Deputy Circuit Clerk	RLI Surety	50,000
Valerie Ladner	Deputy Circuit Clerk	RLI Surety	50,000
Kendra Maggiore	Deputy Circuit Clerk	RLI Surety	50,000
Lila Taylor	Deputy Circuit Clerk	RLI Surety	50,000
Jason Shiyou	Deputy Circuit Clerk	RLI Surety	50,000
Tommy L. Carver, Sr.	Justice Court Judge	RLI Surety	50,000
Desmond W. Hoda	Justice Court Judge	RLI Surety	50,000
James A. Lagasse III	Justice Court Judge	RLI Surety	50,000
Maritza Dequeant	Justice Court Clerk	RLI Surety	50,000
Lisa M Guidry	Justice Court Clerk	RLI Surety	50,000
Jane Clayton	Justice Court Clerk	RLI Surety	50,000
Kristy Kihneman	Justice Court Clerk	Travelers	50,000
Kim Shaw	Justice Court Clerk	RLI Surety	50,000
James A. Ladner, Jr.	Tax Assessor/Collector	RLI Surety	100,000
Leslie Besancon	Deputy Tax Collector	RLI Surety	50,000
Melissa Fucich	Deputy Tax Collector	RLI Surety	50,000
Charlene Garcia Dahl	Deputy Tax Collector	RLI Surety	50,000
Britini Haynes	Deputy Tax Collector	RLI Surety	50,000
Sandra Hoda	Deputy Tax Collector	RLI Surety	50,000
Carolyn Jones	Deputy Tax Collector	RLI Surety	50,000
Candice Jordan	Deputy Tax Collector	RLI Surety	50,000
Tracey Meranto	Deputy Tax Collector	RLI Surety	50,000
Brianna Palmer	Deputy Tax Collector	RLI Surety	50,000
Yolanda Sanders	Deputy Tax Collector	RLI Surety	50,000
Trudy Lincoln	Deputy Tax Collector	RLI Surety	50,000
Jacqueline Bilbo	Deputy Tax Collector	Travelers	50,000
Dana Maggiore	Deputy Tax Collector	RLI Surety	50,000
Barbara Elzy	Deputy Tax Assessor	RLI Surety	12,500
Kathryn Hurt	Deputy Tax Assessor	RLI Surety	12,500
Shirlene Odham	Deputy Tax Assessor	RLI Surety	12,500
Geraldine Waltman	Deputy Tax Assessor	RLI Surety	50,000
Lee Bennett	Field Appraisers	RLI Surety	12,500
Sarah Garcia	Field Appraisers	RLI Surety	12,500
Richard Loper	Field Appraisers	RLI Surety	12,500
Glen Meranto	Field Appraisers	RLI Surety	12,500
Charles Oliver	Field Appraisers	RLI Surety	12,500
John Parker	Field Appraisers	RLI Surety	12,500
Ethel Poillion	Field Appraisers	RLI Surety	12,500
Dwayne Raphael	Field Appraisers	RLI Surety	12,500
Marty Wright	Field Appraisers	RLI Surety	12,500

Hancock County, Mississippi
Schedule of Surety Bonds for County Officials - Unaudited
For the Year Ended September 30, 2014

<u>Name</u>	<u>Title</u>	<u>Company</u>	<u>Coverage</u>
Victor Johnson	Road Manager	RLI Surety	50,000
Jim Faulk	Coroner	RLI Surety	50,000
April Shiyou	McLeod Park Clerk	RLI Surety	50,000
Whitney Cuevas	McLeod Park Clerk	RLI Surety	50,000
Brian Adam	Fire Marshall	Travelers	50,000
John Albert Evans	Fire Marshall	Travelers	50,000
Anthony Cuevas	Director of Planning & Zoning	RLI Surety	50,000
Tracy J O'Neal	Planning & Zoning Clerk	RLI Surety	50,000
Ashley R Poillion	Planning & Zoning Clerk	RLI Surety	50,000
Kathleen Brooks	Notary	RLI Surety	5,000
Trudy Lincoln	Notary	Western Surety	5,000
Dana Maggiore	Notary	Western Surety	5,000
Gretchen Karl	Notary	RLI Surety	5,000

SPECIAL REPORTS

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards***

Members of the Board of Supervisors
Hancock County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hancock County, Mississippi, as of and for the year ended September 30, 2014, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 25, 2015.

Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The report is qualified on the governmental activities, each major fund and the aggregate remaining fund information because management failed to maintain adequate controls over the recording of expenditures, which could lead to significant misstatements. Except as previously noted, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2014-1 and 2014-2 to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 2014-3 to be a significant deficiency.

Compliance and Other Matters

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

We also noted certain immaterial instances of noncompliance which we have reported to the management of Hancock County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated September 25, 2015, included within this document.

Hancock County's Responses to Findings

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

Purpose of Report

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

Necaise & Company PLLC

Necaise & Company, PLLC
Kiln, Mississippi
September 25, 2015

**Independent Auditor's Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by OMB Circular A-133**

Member of the Board of Supervisors
Hancock County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the compliance of Hancock County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended September 30, 2014. Hancock County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Hancock County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Hancock County, Mississippi, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

The management of Hancock County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Hancock County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Necaise & Company PLLC

Necaise & Company, PLLC
Kiln, Mississippi
September 25, 2015

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

Members of the Board of Supervisors
Hancock County, Mississippi

We have examined Hancock County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2014. The Board of Supervisors of Hancock County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

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

Finding 2014-3

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. Adequate control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include descriptions of assets, cost, locations, acquisition dates, disposition dates, serial numbers, inventory control numbers (i.e. tag or sticker number), and other relevant information. The presence of these data elements in capital asset records helps identify and distinguish county assets one from another, thereby safeguarding county assets from loss or misappropriation. In addition, a properly maintained inventory system provides assurance with respect to the accuracy, valuation, and completeness of capital asset balances.

The County did not properly track construction in progress. During the audit, we noted that several projects had not been added to the inventory system and some projects were added to the wrong fund. The amounts unrecorded would likely be considered immaterial, but if corrections to the County's controls aren't made, the misstatements could accumulate to a material amount.

Recommendation

Adequate control procedures should be established to help improve communication between the grant, accounting and inventory department. As the Board approves projects, disbursements should be tracked in such a way they can be easily identified by the Inventory Control Clerk.

County Administrator's Response

The Administrator has met with the staff of each of the aforementioned departments and has devised a 'shared file' that will allow each department to share disbursement information and assist in tracking construction in progress.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Hancock County, Mississippi, complied in all material respects, with state laws governing the central purchase system, inventory and bid requirements.

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

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

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

Necaise & Company PLLC

Necaise & Company, PLLC
Kiln, Mississippi
September 25, 2015

Hancock County, Mississippi
Schedules in Accordance with Section 31-7-115, Mississippi Code Ann. (1972)
For the Year Ended September 30, 2014

Schedule of Purchases Not Made From the Lowest Bidder

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

Hancock County, Mississippi
Schedules in Accordance with Section 31-7-115, Mississippi Code Ann. (1972)
For the Year Ended September 30, 2014

Schedule of Emergency Purchases

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Purchase</u>
4/1/2014	Repaired microwave link	\$ 1,941	Deep South Communications	To have communications up and running for the interest and well-being of the citizens.

Hancock County, Mississippi
Schedules in Accordance with Section 31-7-115, Mississippi Code Ann. (1972)
For the Year Ended September 30, 2014

Schedule of Purchases Made Noncompetitively From a Sole Source

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
12/10/2013	Mobile kiosks with MS Law Library	\$ 6,736	Lexis Nexis
3/5/2014	Water overflow system	56,660	JEM, LLC
7/10/2014	Election server and software	6,419	E S & S
9/2/2014	Defibrillators and accessories	70,943	Physio-Control, Inc.

Limited Internal Control and Compliance Review Management Report

Members of the Board of Supervisors
Hancock County, Mississippi

In planning and performing our audit of the financial statements of Hancock County, Mississippi for the year ended September 30, 2014, we considered Hancock County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control. In addition, for areas not considered material to Hancock County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated September 25, 2015, on the financial statements of Hancock County, Mississippi.

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

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Finding

An effective system of internal control over grant reporting is needed. The County has a grant administrator on staff and also outsources some of the process. No centralized accounting and tracking of the grants exist.

Recommendation

We recommend the Board designate an individual to work with the external grant administrators to devise a way to track grant spending. The County should be capable of providing a grant disbursement and receivable schedule that tie to the Schedule of Expenditures of Federal Awards.

Response

The County Administrator has met with the Grant Administrator and Comptroller and has identified the steps that need to be taken to accomplish this reporting.

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

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

Necaise & Company PLLC

Necaise & Company PLLC
Kiln, Mississippi
September 25, 2015

Hancock County, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | 4. Type of auditors' report issued on compliance for major federal programs? | Unmodified | | | | | | | | | | |
|--|---|---------------------|--------|---|--------|---------------------------------|--------|-------------------------|--------|-------------------------|--|
| 5. Internal control over major programs: | | | | | | | | | | | |
| a. Material weakness(es) identified? | No | | | | | | | | | | |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None Noted | | | | | | | | | | |
|
6. Any audit finding(s) disclosed that are required to be reported in accordance with Section __.510(a) of Circular A-133? |
No | | | | | | | | | | |
| 7. Federal programs identified as major programs: | | | | | | | | | | | |
| <table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;"><u>CFDA Number</u></th> <th style="text-align: left;"><u>Program Name</u></th> </tr> </thead> <tbody> <tr> <td>14.228</td> <td>Community Development Block Grant (state program)</td> </tr> <tr> <td>15.668</td> <td>Coastal Impact Assistance Grant</td> </tr> <tr> <td>97.036</td> <td>Public Assistance Grant</td> </tr> <tr> <td>97.039</td> <td>Hazard Mitigation Grant</td> </tr> </tbody> </table> | <u>CFDA Number</u> | <u>Program Name</u> | 14.228 | Community Development Block Grant (state program) | 15.668 | Coastal Impact Assistance Grant | 97.036 | Public Assistance Grant | 97.039 | Hazard Mitigation Grant | |
| <u>CFDA Number</u> | <u>Program Name</u> | | | | | | | | | | |
| 14.228 | Community Development Block Grant (state program) | | | | | | | | | | |
| 15.668 | Coastal Impact Assistance Grant | | | | | | | | | | |
| 97.036 | Public Assistance Grant | | | | | | | | | | |
| 97.039 | Hazard Mitigation Grant | | | | | | | | | | |
|
8. The dollar threshold used to distinguish between type A and type B programs: |
375,161 | | | | | | | | | | |
| 9. Auditee qualified as low-risk? | No | | | | | | | | | | |
| 10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit finds as discussed in Section __.315(b) of OMB A-133? | No | | | | | | | | | | |

Hancock County, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Section 2: Financial Statement Findings

2014-1 *Material Weakness (repeat finding)*

Criteria

U.S. GAAP (generally accepted accounting principles) requires that financial data for the entire county, which includes component units, be reported with the financial statements of the primary government.

Condition

The financial statements do not include the financial data for the County's legally separate component units.

Effect

Not reporting the financial data resulted in an adverse opinion on the component units.

Recommendation

The County should provide financial data for the component units.

2014-2 *Material Weakness (repeat finding)*

Criteria

Disbursements of funds should be entered into the correct general ledger account.

Condition

During the audit, we noted that a significant portion of disbursements in the general ledger were classified incorrectly. Misclassifications included; assets recorded as expenditures, expenditures recorded in the wrong account, and expenditures recorded to the wrong function.

Cause

Our research indicated that department managers are responsible for classifying disbursements to general ledger accounts per their approved budget. However, we noted that many classifications were incorrect. And, while entering the transactions, the Accounts Payable clerk is not verifying that the proper accounts are being used. In addition, there are no controls in place to provide oversight of what the clerk has recorded.

Effect

A material amount of items coded in the general ledger were misclassified.

Recommendation

The County's internal controls should be designed so that manager classifications are verified for accuracy by the A/P clerk. In addition, the A/P clerk should be trained to identify whether or not disbursements are classified correctly. Controls should be designed and implemented that would provide oversight to determine if the A/P clerk is recording transactions correctly.

Hancock County, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

2014-3 *Significant Deficiency (repeat finding)*

Criteria

The County should maintain a system of internal controls that will ensure capital projects are tracked and recorded in the Inventory Control System.

Condition

During our audit, we noted that several capital projects were not recorded as construction-in-progress in the inventory system.

Cause

The County has several grant administrators that work on different projects (depending on the source of funding). When new projects are started, the Inventory Control Clerk is not being notified to add the project to the inventory system. In addition, once projects are added, capital expenditures are not being tracked and added to the inventory item.

Effect

Failure to track individual projects led to an understatement of construction in progress.

Recommendation

The County should maintain an up-to-date capital project list that can be used to adjust the inventory control system periodically. In addition, the Comptroller or Grant Coordinator should periodically (i.e. monthly or quarterly) provide capital expenditure amounts to be added to the inventory system.

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.



David Yarborough
District 1

Steve Seymour
District 4
Vice President

Kenny Hoda
District 2

BOARD OF SUPERVISORS

Hancock County
854 Highway 90, Suite A
Bay St. Louis, MS 39520

Tony W. Ladner
District 5

Lisa Cowand
District 3
President

Telephone (228) 467-0172
Fax (228) 466-5994

CORRECTIVE ACTION PLAN September 30, 2015

Ty Necaïse
3590 Rocky Hill Dedeaux Road
Kiln, MS 39556

Dear Mr. Necaïse:

Hancock County respectfully submits the following corrective action plan for the year ended September 30, 2014.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

SECTION 1: SUMMARY OF AUDITOR'S RESULTS does not include findings and is not addressed.

SECTION 2: FINANCIAL STATEMENT FINDINGS

2014-01

Corrective Action Planned:

The Board does not plan to require audits of all component units because the cost would be too significant for some entities (i.e. fire districts, etc.).

Anticipated Completion Date: Will not be corrected at this time.

Contact Person Responsible for Corrective Action: Suzette Necaïse, Administrator

2014-02

Corrective Action Planned:

The administration department has taken steps to reduce and/or eliminate this problem. More experienced personnel have been assigned to record disbursements and oversight controls have been established to verify that transactions are coded to the correct account.

Anticipated Completion Date: Previous finding and corrections were implemented September 1, 2014.

Contact Person Responsible for Corrective Action: Suzette Necaïse, Administrator

2014-03

Corrective Action Planned:

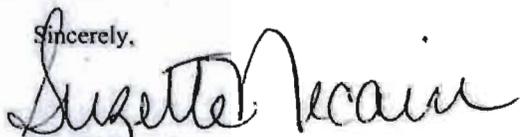
The Grant Administrator, Comptroller and Inventory Control Clerk have met to discuss and correct this issue. Controls have been implemented to help identify and record capital projects.

Anticipated Completion Date: Previous finding and corrections were implemented September 1, 2014

Contact Person Responsible for Corrective Action: Michelle Cuevas, Inventory Control Clerk

SECTION 3: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS does not include findings and is not addressed.

Sincerely,

A handwritten signature in cursive script that reads "Suzette Necaie".

Suzette Necaie
Administrator