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WASHINGTON COUNTY, MISSISSIPPI
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2014

BRIDGERS & GOODMAN, PLLC
Certified Public Accountants
Vicksburg, Mississippi

WASHINGTON COUNTY

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WASHINGTON COUNTY

FINANCIAL SECTION

WASHINGTON COUNTY

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DAVID I. BRIDGERS, JR., CPA
L. KARL GOODMAN, CPA, MBA

MEMBERS OF
MISSISSIPPI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Washington County, Mississippi

We have audited the accompanying financial statements, of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Washington County, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Delta Regional Medical Center, the Washington County Library System and the Greenville Port Commission, components units, which represent 100 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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. However, the financial statements of the Washington County Library System, component unit, audited by another auditor were not audited in accordance with *Government Auditing Standards*.

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.

Qualified Opinion

Basis for Qualified Opinions on Governmental and Business-Type Activities

As discussed in Note 10 to the financial statements, the county has not recorded a liability for other postemployment benefits in the governmental and business-type activities and, accordingly, has not recorded expense for the current period change in those liabilities. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of the governmental and business-type activities. The amount by which this departure would affect the liabilities, net position and expenses of the governmental and business-type activities is not reasonably determinable.

Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions on Governmental and Business-Type Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental and business-type activities of Washington County, Mississippi, as of September 30, 2014, and the changes in the financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Washington 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

Washington County, Mississippi has omitted the Management's Discussion and Analysis and the Funding Progress – Other Postemployment Benefits that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of Washington 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 Washington County, Mississippi's internal control over financial reporting and compliance.

Bridgers & Goodman, PLLC

Bridgers & Goodman, PLLC
Certified Public Accountants
Vicksburg, Mississippi

December 18, 2015

WASHINGTON COUNTY

FINANCIAL STATEMENTS

Washington County
Statement of Net Position
For the Year Ended September 30, 2014

Exhibit 1

	<u>Primary Governmental</u> Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 7,860,340		\$ 7,860,340
Investments		\$ 2,249,838	2,249,838
Property tax receivable	16,559,811		16,559,811
Fines receivable, (net of allowance for uncollectibles of \$12,743,753)	577,665		577,665
Intergovernmental receivables	554,072	319,477	873,549
Other receivables	339,018		339,018
Inventories and prepaid items		296,396	296,396
Capital lease receivable	2,713,814		2,713,814
Internal balances	967,853	87,250	1,055,103
Capital assets:			
Land and construction in progress	7,771,688	28,030	7,799,718
Other capital assets, net	53,975,821	15,843,444	69,819,265
Other assets			
Total Assets	<u>91,320,082</u>	<u>18,824,435</u>	<u>110,144,517</u>
LIABILITIES			
Claims payable	812,871	165,293	978,164
Claims and judgments payable	546,652		546,652
Intergovernmental payables	418,432		418,432
Accrued interest payable	76,998	202,603	279,601
Unearned revenue	2,890		2,890
Other payables	130,241		130,241
Internal balances	87,250	836,168	923,418
Long-term liabilities			
Due within one year:			
Capital related debt	1,671,581	815,000	2,486,581
Non-capital debt	125,000		125,000
Due in more than one year:			
Capital related debt	10,859,419	18,168,348	29,027,767
Non-capital debt	1,314,681	40,700	1,355,381
Total Liabilities	<u>16,046,015</u>	<u>20,228,112</u>	<u>36,274,127</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax for future reporting period	16,559,811		16,559,811
Capital leases for future reporting period	213,584		213,584
Total deferred inflows of resources	<u>16,773,395</u>	<u>-</u>	<u>16,773,395</u>
NET POSITION			
Net investment in capital assets	49,216,509	(3,111,874)	46,104,635
Restricted for:			
Expendable:			
Public safety	788,923	1,708,197	2,497,120
Public works	1,058,501		1,058,501
Health and welfare	191,998		191,998
Culture and recreation	3,229,554		3,229,554
Economic development	553,949		553,949
Debt service	1,415,733		1,415,733
Unrestricted	2,045,505		2,045,505
Total Net Position	<u>\$ 58,500,672</u>	<u>\$ (1,403,677)</u>	<u>\$ 57,096,995</u>

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

Washington County
Statement of Net Position
For the Year Ended September 30, 2014

Exhibit 1
(continued)

	Component Units			Total Component Units
	Delta Regional Medical Center	Washington County Library System	Greenville Port Commission	
ASSETS				
Cash	\$ 30,329,936	\$ 178,700	\$ 2,702,816	\$ 33,211,452
Investments				
Property tax receivable				
Fines receivable, (net of allowance for uncollectibles of \$12,743,753)				
Intergovernmental receivables	16,982,362			16,982,362
Other receivables	1,257,642		369,766	1,627,408
Inventories and prepaid items	4,347,517			4,347,517
Capital lease receivable				
Internal balances				
Capital assets:				
Land and construction in progress	13,003,738			13,003,738
Other capital assets, net	28,792,350	199,216	7,508,282	36,499,848
Other assets	11,612,502			11,612,502
Total Assets	<u>106,326,047</u>	<u>377,916</u>	<u>10,580,864</u>	<u>117,284,827</u>
LIABILITIES				
Claims payable	11,874,359	42,658	55,229	11,972,246
Claims and judgments payable				
Intergovernmental payables				
Accrued interest payable				
Unearned revenue				
Other payables				
Internal balances				
Long-term liabilities				
Due within one year:				
Capital related debt	947,669			947,669
Non-capital debt				
Due in more than one year:				
Capital related debt	32,040,639			32,040,639
Non-capital debt			28,030	28,030
Total Liabilities	<u>44,862,667</u>	<u>42,658</u>	<u>83,259</u>	<u>44,988,584</u>
DEFERRED INFLOWS OF RESOURCES				
Property tax for future reporting period				
Capital leases for future reporting period				
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	8,807,780	199,216	7,508,282	16,515,278
Restricted for:				
Expendable:				
Public safety				
Public works				
Health and welfare				
Culture and recreation				
Economic development				
Debt service	6,041,706			6,041,706
Unrestricted	46,613,894	136,042	2,989,323	49,739,259
Total Net Position	<u>\$ 61,463,380</u>	<u>\$ 335,258</u>	<u>\$ 10,497,605</u>	<u>\$ 72,296,243</u>

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

Washington County
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	Primary Government			Component Units					
					Governmental Activities	Business-type Activities	Total	Delta Regional Medical Center	Washington County Library System	Greenville Port Commission	Total Component Units		
Primary government:													
Governmental activities:													
General government	\$ 11,683,580	\$ 1,166,308	\$ 121,692		\$ (10,395,580)		\$ (10,395,580)						
Public safety	6,283,626	559,311	215,116	\$ 198,122	(5,311,077)		(5,311,077)						
Public works	6,182,651	1,981	829,849		(5,350,821)		(5,350,821)						
Health and welfare	836,239				(836,239)		(836,239)						
Culture and recreation	412,477				(412,477)		(412,477)						
Conservation of natural resources	175,641				(175,641)		(175,641)						
Economic development and assistance	690,686			345,062	(345,624)		(345,624)						
Interest on long-term debt	466,584				(466,584)		(466,584)						
Total Governmental Activities	<u>26,731,484</u>	<u>1,727,600</u>	<u>1,166,657</u>	<u>543,184</u>	<u>(23,294,043)</u>		<u>(23,294,043)</u>						
Business-type activities:													
Correctional facility	5,004,303	5,026,447				22,144	22,144						
Total Business-type Activities	<u>5,004,303</u>	<u>5,026,447</u>				<u>22,144</u>	<u>22,144</u>						
Total Primary Government	<u>31,735,787</u>	<u>6,754,047</u>	<u>1,166,657</u>	<u>543,184</u>	<u>(23,294,043)</u>	<u>22,144</u>	<u>(23,271,899)</u>						
Component Units:													
Delta Regional Medical Center	121,840,431	119,854,175						\$ (1,986,256)					\$ (1,986,256)
Washington County Library System	896,953		717,303					\$ (179,650)					(179,650)
Greenville Port Commission	1,610,686	944,780							\$ (665,906)				(665,906)
Total Component Units	<u>\$ 124,348,070</u>	<u>\$ 120,798,955</u>	<u>\$ 717,303</u>	<u>\$ -</u>				<u>(1,986,256)</u>	<u>(179,650)</u>	<u>(665,906)</u>			<u>(2,831,812)</u>
General revenues:													
Property taxes					19,284,850		19,284,850						
Road & bridge privilege taxes					499,909		499,909						
Grants and contributions not restricted to specific programs					3,823,342		3,823,342	3,644,904			350,000		3,994,904
Unrestricted interest income					151,832	58	151,890				9,333		9,333
Unrestricted investment income								546,427					546,427
Gain(Loss) on sale of assets					(19,350)		(19,350)						
Miscellaneous					696,235	14,772	711,007				675,927		675,927
Total General Revenues					<u>24,436,818</u>	<u>14,830</u>	<u>24,451,648</u>	<u>4,191,331</u>	<u>-</u>	<u>1,035,260</u>			<u>5,226,591</u>
Changes in Net Position					<u>1,142,775</u>	<u>36,974</u>	<u>1,179,749</u>	<u>2,205,075</u>	<u>(179,650)</u>	<u>369,354</u>			<u>2,394,779</u>
Net Position - Beginning					56,973,049	(364,078)	56,608,971	59,258,305	514,908	10,128,251			69,901,464
Prior period adjustments					384,848	(1,076,573)	(691,725)						
Net Position - Beginning, as restated					<u>57,357,897</u>	<u>(1,440,651)</u>	<u>55,917,246</u>	<u>59,258,305</u>	<u>514,908</u>	<u>10,128,251</u>			<u>69,901,464</u>
Net Position - Ending					<u>\$ 58,500,672</u>	<u>\$ (1,403,677)</u>	<u>\$ 57,096,995</u>	<u>\$ 61,463,380</u>	<u>\$ 335,258</u>	<u>\$ 10,497,605</u>			<u>\$ 72,296,243</u>

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

Washington County
Balance Sheet - Governmental Funds
September 30, 2014

Exhibit 3

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Highway Maintenance Fund	Bridge & Culvert Fund		
ASSETS					
Cash	\$ 914,357	\$ 754,147	\$ 465,327	\$ 5,726,509	\$ 7,860,340
Property tax receivable	12,543,601	282,630	3,023,365	710,215	16,559,811
Fines receivable (net of allowance for uncollectibles of \$ 12,743,753)	577,665				577,665
Capital lease receivable	2,344,598			369,216	2,713,814
Intergovernmental receivables	291,229			262,843	554,072
Advances to other funds	207,468				207,468
Due from other funds	760,385	5,319	42,561	9,099	817,364
Other receivable	339,018				339,018
Total Assets	17,978,321	1,042,096	3,531,253	7,077,882	29,629,552
LIABILITIES					
Liabilities:					
Claims payable	516,631	82,021	126,832	87,387	812,871
Claims and judgments payable	546,652				546,652
Intergovernmental payables	418,432				418,432
Due to other funds	144,229				144,229
Unearned revenue				2,890	2,890
Other payables	130,241				130,241
Total Liabilities	1,756,185	82,021	126,832	90,277	2,055,315
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	12,543,601	282,630	3,023,365	710,215	16,559,811
Unavailable revenue - fines	577,663				577,663
Unavailable revenue - capital leases	2,344,598			369,216	2,713,814
Total Deferred Inflows of Resources	15,465,862	282,630	3,023,365	1,079,431	19,851,288
FUND BALANCES					
Nonspendable					
Advances	207,468				207,468
Restricted for:					
Public safety				788,923	788,923
Public Works		677,445	381,056		1,058,501
Health and welfare				191,998	191,998
Culture and recreation				3,229,554	3,229,554
Economic development and assistance				553,949	553,949
Debt service				1,492,731	1,492,731
Unassigned	548,806			(348,981)	199,825
Total Fund Balances	756,274	677,445	381,056	5,908,174	7,722,949
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 17,978,321	\$ 1,042,096	\$ 3,531,253	\$ 7,077,882	\$ 29,629,552

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

Washington County
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
 September 30, 2014

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 7,722,949
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$96,008,002.	61,747,509
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	577,663
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(13,970,681)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the Funds.	2,500,230
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(76,998)</u>
Total Net Position - Governmental Activities	<u>\$ 58,500,672</u>

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

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

Exhibit 4

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Highway Maintenance Fund	Bridge & Culvert Fund		
REVENUES					
Property taxes	\$ 14,047,519	\$ 456,346	\$ 3,731,142	\$ 1,049,843	\$ 19,284,850
Road and bridge privilege taxes		499,909			499,909
Licenses, commissions and other revenue	877,992			18,473	896,465
Fines and forfeitures	194,251				194,251
Intergovernmental revenues	3,027,918	1,530,634	10,683	972,918	5,542,153
Charges for services	75,592			561,292	636,884
Interest income	144,864	427	4,266	2,275	151,832
Miscellaneous revenues	457,774	41,126		197,335	696,235
Total Revenues	<u>18,825,910</u>	<u>2,528,442</u>	<u>3,746,091</u>	<u>2,802,136</u>	<u>27,902,579</u>
EXPENDITURES					
Current:					
General government	11,194,900			867,950	12,062,850
Public safety	6,064,828			466,025	6,530,853
Public works	135,653	2,258,002	3,680,781	423,077	6,497,513
Health and welfare	738,230			96,771	835,001
Culture and recreation	460,050			27,171	487,221
Conservation of natural resources	175,641				175,641
Economic development and assistance	409,123			284,437	693,560
Debt service:					
Principal	754,085	52,366		1,750,938	2,557,389
Interest	158,278	8,354		247,357	413,989
Bond issue cost				60,000	60,000
Total Expenditures	<u>20,090,788</u>	<u>2,318,722</u>	<u>3,680,781</u>	<u>4,223,726</u>	<u>30,314,017</u>
Excess of Revenues over (under) Expenditures	<u>(1,264,878)</u>	<u>209,720</u>	<u>65,310</u>	<u>(1,421,590)</u>	<u>(2,411,438)</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	522,857	43,669		3,021,834	3,588,360
Lease principal payments	391,917				391,917
Proceeds from sale of capital assets	9,283	300			9,583
Total Other Financing Sources and Uses	<u>924,057</u>	<u>43,969</u>	<u>-</u>	<u>3,021,834</u>	<u>3,989,860</u>
Net Changes in Fund Balances	<u>(340,821)</u>	<u>253,689</u>	<u>65,310</u>	<u>1,600,244</u>	<u>1,578,422</u>
Fund Balances - Beginning, as previously reported	1,065,481	423,756	315,746	4,057,667	5,862,650
Prior period adjustment	31,614			250,263	281,877
Fund Balances - Beginning, as restated	<u>1,097,095</u>	<u>423,756</u>	<u>315,746</u>	<u>4,307,930</u>	<u>6,144,527</u>
Fund Balances - Ending	<u>\$ 756,274</u>	<u>\$ 677,445</u>	<u>\$ 381,056</u>	<u>\$ 5,908,174</u>	<u>\$ 7,722,949</u>

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

Washington County
**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2014**

Exhibit 4-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 1,578,422
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$2,620,883, exceeded depreciation of \$1,600,141 in the current period.	1,020,742
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$19,350 and the proceeds from the sale of \$9,583 in the current period.	(28,933)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(8,970)
Debt proceeds provide current financial resources to Government Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$2,557,389, was exceeded by debt proceeds of \$3,588,360.	(1,030,971)
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:	
Accrued interest payable	7,405
Compensated absences	(4,339)
Net amortization on bond premium and discount	1,336
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the changes in net position differs from change in fund balances by the principal collections on the capital leases.	<u>(391,917)</u>
Change in Net Position of Governmental Activities	<u>\$ 1,142,775</u>

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

Washington County
Statement of Net Position - Proprietary Fund
September 30, 2014

Exhibit 5

	<u>Business-type Activities Enterprise Fund WCRCF</u>
ASSETS	
Current assets:	
Investments	\$ 2,249,838
Intergovernmental receivables	319,477
Due from other funds	87,250
Inventories	47,252
Total Current Assets	<u>2,703,817</u>
Noncurrent assets:	
Prepaid bond insurance	249,144
Land	28,030
Other capital assets, net	15,843,444
Total Noncurrent Assets	<u>16,120,618</u>
Total Assets	<u>18,824,435</u>
LIABILITIES	
Current liabilities:	
Claims payable	165,293
Accrued interest payable	202,603
Due to other funds	770,964
Advances from other funds	65,204
Capital debt:	
Other long-term liabilities	815,000
Total Current Liabilities	<u>2,019,064</u>
Noncurrent liabilities:	
Capital related debt:	
Other long-term liabilities	18,168,348
Non-capital debt:	
Compensated absences payable	40,700
Total Noncurrent Liabilities	<u>18,209,048</u>
NET POSITION	
Net investment in capital assets	(3,111,874)
Restricted for:	
Public safety	1,708,197
Total Net Position	<u>\$ (1,403,677)</u>

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

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

Exhibit 6

	<u>Business-type Activities Enterprise Fund WCRCF</u>
Operating Revenues	
Charges for services	\$ 5,026,447
Total Operating Revenues	<u>5,026,447</u>
Operating Expenses	
Personal services	2,205,232
Contractual services	627,357
Materials and supplies	720,802
Depreciation expense	622,725
Total Operating Expenses	<u>4,176,116</u>
Operating Income (Loss)	<u>850,331</u>
Nonoperating Revenues (Expense)	
Interest Income	58
Interest Expense	(828,187)
Other Income (expense)	14,772
Net Non-Operating Revenues (Expense)	<u>(813,357)</u>
Change in Net Position	<u>36,974</u>
Net Position - Beginning, as previously reported	(364,078)
Prior period adjustment(s)	(1,076,573)
Net Position - Ending	<u>\$ (1,403,677)</u>

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

Washington County
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2014

Exhibit 7

	<u>Business-type Activities Enterprise Fund WCRCF</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 5,075,421
Payments to employees	(2,165,897)
Payments to suppliers	(1,264,905)
Net Cash Provided (Used) by Operating Activities	<u>1,644,619</u>
Cash Flows From Non-Capital Financing Activities	
Other receipts	29,646
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>29,646</u>
Cash Flows From Capital and Related Financing Activities	
Accretion of bond discount	9,054
Principal paid on debt	(790,000)
Interest paid on debt	(834,113)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,615,059)</u>
Cash Flows From Investing Activities	
Interest on investments	58
Purchase of investment securities	(59,264)
Net Cash Provided (Used) by Investing Activities	<u>(59,206)</u>
Net Increase or Decrease in Cash and Cash Equivalents	<u>-</u>
Cash and Cash Equivalents at Beginning of Year	<u>-</u>
Cash and Cash Equivalents at End of Year	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 850,331
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	622,725
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivables	27,696
(Increase) decrease in interfund receivables	19,237
Increase (decrease) in claims payable	(27,140)
Increase (decrease) in compensated absences liability	4,688
Increase (decrease) in interfund payables	147,082
Total Adjustments	<u>794,288</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,644,619</u>

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

Washington County
Statement of Fiduciary Assets and Liabilities
September 30, 2014

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 507,687
Due from other funds	10,579
Other receivables	<u>142,264</u>
Total Assets	<u><u>660,530</u></u>
LIABILITIES	
Intergovernmental payables	196,999
Advances from other funds	142,264
Other payables	<u>321,267</u>
Total Liabilities	<u><u>\$ 660,530</u></u>

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

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

A. Financial Reporting Entity.

Washington 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 Washington County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

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

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

B. Individual Component Unit Disclosures.

Discretely Presented Component Unit

The component unit columns in the financial statements include the financial data of the following component units of the county. They are reported in a separate column to emphasize that they are legally separate from the county. All members of the governing bodies of these component units are appointed by the county Board of Supervisors.

Delta Regional Medical Center provides inpatient, outpatient and emergency care for residents of Washington County, Mississippi and surrounding areas. The facility is governed by a Board of Trustees appointed by the Board of Supervisors of Washington County, Mississippi.

Washington County Library System serves the residents of Washington County with locations in Greenville, Leland, Hollandale, Arcola, Glen Allen and Avon, Mississippi. The system is governed by a five member Board of Trustees, which are appointed by the Board of Supervisors of Washington County, Mississippi.

Greenville Port Commission was established pursuant to Section 59-7-125 of the Mississippi Code Ann. (1972) and was organized to supervise and operate terminal and dockside activities. The commission is governed by a five member commission, two of which are appointed by the Washington County Board of Supervisors.

C. Basis of Presentation.

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

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information concerning the County as a whole. The statements include all non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other non-exchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Position presents the financial condition of the governmental activities and business-type 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 and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

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

D. Measurement Focus and Basis of Accounting.

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

The revenues and expenses of Proprietary Funds are classified as operating or 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.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Highway Maintenance Fund – This fund is used to account for monies from specific revenue sources that are restricted for highway maintenance.

Bridge and Culvert Fund – This fund is used to account for monies from specific revenue sources that are restricted for repairs and road maintenance.

The county reports the following major Enterprise Fund:

Washington County Regional Correctional Facility (WCRCF) – This fund is used to account for the county's activities of operating the correctional facility.

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures 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

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPE

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

E. Account Classifications.

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

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

F. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, 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 market value. However, the county did not invest in any governmental securities during the fiscal year.

G. Receivables.

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

H. Inter-fund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of inter-fund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a non-spendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

I. Inventories and Prepaid Items.

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

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

J. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type 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 extents to which capital assets, other than infrastructure, 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

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because non-capitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

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 and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

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

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

K. Deferred Outflows/Inflows of Resources.

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

The county reported no deferred outflows for the period.

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

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

Unavailable revenue – capital leases – 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.

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.

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

L. Long-term liabilities.

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

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

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

M. 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."

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

Fund Financial Statements:

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

Government fund balance is classified as non-spendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county:

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

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 principal balance of a permanent fund.

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

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 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 or 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.

N. 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 the 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 the original purchase occurs.

O. 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.

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

P. 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 and Proprietary Funds financial statements. In fund financial statements, Government Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

Q. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*.

NOTE (2) PRIOR PERIOD ADJUSTMENTS.

A summary of significant equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To adjust capital lease receivable Sports World	\$ (8,529)
To adjust land redemption settlement for fiscal year 2014 & 2013	58,453
To adjust Sportsplex for prior year revenues	261,803
To adjust capital assets for change in asset class and lives	196,075
Implementation of GASB Statement 65, <i>Items Previously Reported as Assets and Liabilities</i>	<u>(122,954)</u>
Total prior period adjustments	<u>\$ 384,848</u>

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balance.

<u>Explanation</u>	<u>Amount</u>
To adjust land redemption settlement for fiscal year 2014 & 2013	\$ 58,453
To adjust capital lease receivable Sports World	(38,379)
To adjust Sportsplex for prior year revenues	261,803
Total prior period adjustments	<u>\$ 281,877</u>

Exhibit 6 - Statement of Revenues, Expenses and Changes in Net Position.

<u>Explanation</u>	<u>Amount</u>
To adjust accumulated depreciation for change in capital asset lives	\$ (481,482)
Implementation of GASB Statement 65, <i>Items Previously Reported as Assets and Liabilities</i>	<u>(595,091)</u>
Total prior period adjustments	<u>\$ (1,076,573)</u>

**WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014**

NOTE (3) DEPOSITS AND INVESTMENTS.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2014, was \$8,368,027 and the bank balance was \$9,103,585. 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 - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

Investments:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the county are handled through a trust indenture between the county and the trustee related to the operations of the Washington County Regional Correctional Facility.

Investment balances at September 30, 2014, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
U.S. Treasury	Less than one year	\$2,249,838	N/A

Interest Rate Risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year.

Credit Risk. State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

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

NOTE (4) INTER-FUND TRANSACTIONS AND BALANCES.

The following is a summary of inter-fund balances at September 30, 2014:

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Highway Maintenance Fund	General Fund	\$ 5,319
Other Governmental Funds	General Fund	9,099

**WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014**

Agency	Enterprise Fund	10,579
Bridge and Culvert Fund	General Fund	42,561
Enterprise Fund	General Fund	87,250
General Fund	Enterprise Fund	760,385
Total		\$915,193

Receivables between the general and agency funds and enterprise fund are due to prisoner housing (87,250), operating cash (760,385) and amounts due to the inmate welfare fund (10,579). All other receivables represent the tax revenue collected but not settled until October 2014. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Agency	\$142,264
General Fund	Enterprise Fund	\$65,204
Total		\$207,468

The General Fund receivable of \$142,264 is the amount owed in settlement of a prior years' theft. This amount has not been paid in several years. The advance of \$65,204 is an indirect cost allocation in prior years that have not been paid.

NOTE (5) INTERGOVERNMENTAL RECEIVABLES.

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

Governmental Activities:

Description	Amount
State Legislative Tax Credit	\$206,866
VOCA/VAWA	12,363
City of Leland	72,000
Hazard mitigation grant	220,469
WCSO cops hiring program	32,184
Youth court grant	10,190
Total	\$554,072

Business-type Activities:

Description	Amount
MS Department of Corrections and the City of Greenville	\$319,477

NOTE (6) OTHER RECEIVABLE.

The other receivable represents amounts due from the tax collector (30,532) and chancery clerk land redemption (308,486).

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

NOTE (7) CAPITAL ASSETS.

The following is a summary of capital assets for the year ended September 30, 2014:

<u>Governmental activities:</u>	<u>Balance</u>				<u>Balance</u>
	<u>Oct. 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Sept. 30, 2014</u>
Non-depreciable capital assets:					
Land	\$ 4,704,445				\$ 4,704,445
Construction in progress	2,296,912	770,331			3,067,243
Total non-depreciable capital assets	<u>7,001,357</u>	<u>770,331</u>	<u>-</u>	<u>-</u>	<u>7,771,688</u>
Depreciable capital assets:					
Infrastructure	115,741,235	901,977			116,643,212
Buildings	17,779,334				17,779,334
Improvements other than buildings	825,921				825,921
Mobile equipment	8,215,272	343,715	198,259	293,011	8,653,739
Furniture and equipment	4,321,089	16,500		(161,222)	4,176,367
Leased property under capital leases	1,531,128	588,360		(214,238)	1,905,250
Total depreciable capital assets	<u>148,413,979</u>	<u>1,850,552</u>	<u>198,259</u>	<u>(82,449)</u>	<u>149,983,823</u>
Less accumulated depreciation for:					
Infrastructure	77,519,902	406,485			77,926,387
Buildings	7,419,185	269,285		162	7,688,632
Improvements other than buildings	66,076	33,038			99,114
Mobile equipment	5,897,914	651,904	169,326	267,846	6,648,338
Furniture and equipment	3,422,019	40,070		(91,720)	3,370,369
Leased property under capital leases	530,615	199,359		(454,812)	275,162
Total accumulated depreciation	<u>94,855,711</u>	<u>1,600,141</u>	<u>169,326</u>	<u>(278,524)</u>	<u>96,008,002</u>
Total depreciable capital assets, net	<u>53,558,268</u>	<u>250,411</u>	<u>28,933</u>	<u>196,075</u>	<u>53,975,821</u>
Governmental activities capital assets, net	<u>\$ 60,559,625</u>	<u>1,020,742</u>	<u>28,933</u>	<u>196,075</u>	<u>\$ 61,747,509</u>

Adjustments are due to reclassification and changes in depreciable lives of assets.

<u>Business-type activities:</u>	<u>Balance</u>				<u>Balance</u>
	<u>Oct. 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Sept. 30, 2014</u>
Non-depreciable capital assets:					
Land	\$ 28,030				\$ 28,030
Total non-depreciable capital assets	<u>28,030</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,030</u>
Depreciable capital assets:					
Buildings	15,181,373				15,181,373
Improvements other than buildings	113,001				113,001
Furniture and equipment	2,455,771				2,455,771
Total depreciable capital assets	<u>17,750,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,750,145</u>
Less accumulated depreciation for:					
Buildings	695,952	303,628		(88,696)	910,884
Improvements other than buildings	9,044	4,522			13,566
Furniture and equipment	97,498	314,575		570,178	982,251
Total accumulated depreciation	<u>802,494</u>	<u>622,725</u>	<u>-</u>	<u>481,482</u>	<u>1,906,701</u>
Total depreciable capital assets, net	<u>16,947,651</u>	<u>(622,725)</u>	<u>-</u>	<u>(481,482)</u>	<u>15,843,444</u>
Business-type activities capital assets, net	<u>\$ 16,975,681</u>	<u>(622,725)</u>	<u>-</u>	<u>(481,482)</u>	<u>\$ 15,871,474</u>

Adjustments are due to reclassification and changes in depreciable lives of assets.

**WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014**

Depreciation expense was charged to the following functions:

<u>Governmental Activities:</u>	<u>Amount</u>
General government	\$ 446,011
Public safety	216,245
Public works	925,184
Culture and recreation	12,701
Total governmental activities depreciation expense	<u>\$ 1,600,141</u>
<u>Business-type Activities:</u>	
Public safety	<u>\$ 622,725</u>
Total business-type activities depreciation expense	<u>\$ 622,725</u>

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

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Courthouse Renovations	\$19,928	12-2014
Sportsplex Recreational Park	\$2,912,829	05-2016

Capital Assets - Component Units

<u>Delta Regional Medical Center</u>	<u>Balance</u>				<u>Balance</u>
	<u>Oct. 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Sept. 30, 2014</u>
Non-depreciable capital assets:					
Land	\$ 3,531,832				\$ 3,531,832
Land under capital lease	1,145,500				1,145,500
Construction in progress	8,326,406	1,874,972	1,353,553		8,847,825
Total non-depreciated capital assets	<u>13,003,738</u>	<u>1,874,972</u>	<u>1,353,553</u>	<u>-</u>	<u>13,525,157</u>
Depreciable capital assets:					
Land improvements	860,754				860,754
Buildings	42,516,977	51,578			42,568,555
Fixed equipment	12,077,437				12,077,437
Equipment	50,755,227	1,225,596	138,676		51,842,147
Total depreciable capital assets	<u>106,210,395</u>	<u>1,277,174</u>	<u>138,676</u>	<u>-</u>	<u>107,348,893</u>
Less accumulated depreciation for:					
Land improvements	638,671	27,530			666,201
Buildings	21,618,916	1,640,635			23,259,551
Fixed equipment	10,095,973	302,391			10,398,364
Equipment	42,552,188	2,335,597	133,939		44,753,846
Total accumulated depreciation	<u>74,905,748</u>	<u>4,306,153</u>	<u>133,939</u>	<u>-</u>	<u>79,077,962</u>
Total depreciable capital assets, net	<u>31,304,647</u>	<u>(3,028,979)</u>	<u>4,737</u>	<u>-</u>	<u>28,270,931</u>
Total capital assets, net	<u>\$ 44,308,385</u>	<u>(1,154,007)</u>	<u>1,358,290</u>	<u>-</u>	<u>\$ 41,796,088</u>

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

Washington County Library System

	<u>Balance</u>				<u>Balance</u>
	<u>Oct. 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Sept. 30, 2014</u>
Depreciable capital assets:					
Building improvements	\$ 251,012				\$ 251,012
Autos and trucks	35,116				35,116
Automation costs	114,385				114,385
Furniture and fixtures	531,040	2,994			534,034
Total depreciable capital assets	931,553	2,994	-	-	934,547
Less: accumulated depreciation	(704,874)	(30,457)	-	-	(735,331)
 Total capital assets, net	 \$ 226,679	 (27,463)	 -	 -	 \$ 199,216

Greenville Port Commission

	<u>Balance</u>				<u>Balance</u>
	<u>Oct. 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Sept. 30, 2014</u>
Depreciable capital assets:					
Building facilities	\$ 823,460				\$ 823,460
Improvements other than buildings	1,460,585	23,340		42,927	1,526,852
Machinery and equipment	10,215,970	80,448	29,690	(43,413)	10,223,315
Office furniture and fixtures	53,560	14,355		3	67,918
Total depreciable capital assets	12,553,575	118,143	29,690	(483)	12,641,545
 Less accumulated depreciation for:					
Building facilities	114,362	22,178		1	136,541
Improvements other than buildings	615,421	79,458		(111,099)	583,780
Machinery and equipment	3,810,593	490,434	29,142	89,821	4,361,706
Office furniture and fixtures	20,640	9,802		20,794	51,236
Total accumulated depreciation	4,561,016	601,872	29,142	(483)	5,133,263
 Total depreciable capital assets	 7,992,559	 (483,729)	 548	 -	 7,508,282
 Total capital assets, net	 \$ 7,992,559	 (483,729)	 548	 -	 \$ 7,508,282

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 exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 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 finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Benefit Trust, a public entity risk pool. The pool is a claims-serving organization with the county retaining the risk of loss on all claims to which the county is exposed. Premium payments to the pool are determined on an actuarial basis. The county has reinsurance which functions on a specific stop loss coverage. The coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$55,000. Claims expenses and liabilities are reported when

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

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).

The following table provides changes in the balances of claims liabilities for fiscal years 2013 and 2014:

	2013	2014
Unpaid Claims, Beginning of Fiscal Year	\$ 503,936	\$ 438,483
Plus: Incurred Claims (Including IBNRs)	3,834,458	4,151,194
Less: Claims payments	3,899,911	4,043,025
 Unpaid Claims, End of Fiscal Year	 <u>\$ 438,483</u>	 <u>\$ 546,652</u>

NOTE (9)

CAPITAL LEASES.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2014:

<u>Class of Property</u>	<u>Amount</u>
Buildings:	
MARS - warehouse	\$ 2,172,842
Brocato	327,388
 Total	 <u>\$ 2,500,230</u>

The future minimum lease receivable and the present value of the net minimum lease receivable as of September 30, 2014, are as follows:

Year Ended September 30,	<u>Principal</u>	<u>Interest</u>
2015	\$ 484,182	\$ 79,103
2016	442,135	52,068
2017	455,316	38,887
2018	468,894	25,309
2019	482,878	11,325
2020-2023	166,825	6,892
 Total	 <u>\$ 2,500,230</u>	 <u>\$ 213,584</u>

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2014:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 726,260
Computer equipment	149,990
Siemens energy project	1,029,000
Total	1,905,250
Less: Accumulated depreciation	275,162
 Leased Property Under Capital Leases	 <u>\$ 1,630,088</u>

**WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014**

The following is a schedule by years of the total payments due as of September 30, 2014:

Year Ended September 30,	Governmental Activities	
	Principal	Interest
2015	\$ 237,173	\$ 38,840
2016	217,569	33,358
2017	204,149	28,507
2018	190,002	24,113
2019	171,804	19,833
2020-2024	385,080	65,386
2025-2028	300,589	14,743
Total	\$ 1,706,366	\$ 224,780

NOTE (10) OTHER POSTEMPLOYMENT BENEFITS.

The Washington County Board of Supervisors administers the county's health insurance plan which is authorized by Section 25-15-101 et seq. , Mississippi Code Ann. (1972). The county's health insurance plan may be amended by the Washington County Board of Supervisors. The county finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the county retaining the risk of loss on all claims to which the county is exposed. The county has reinsurance which functions on a specific stop loss coverage of \$55,000. After which, 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 care plan. The county does not issue a publicly available financial report for the 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.

NOTE (11) LONG TERM DEBT.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<u>Governmental Activities:</u>			
A. General Obligation Bonds:			
GO Industrial Development Refunding Bonds, Series 2011	\$ 860,000	1.50/3.75	05-19
GO Road and Bridge Refunding Bonds, Series 2011	1,075,000	2.0/3.0	07-22
GO Bonds, Series 2011	2,705,000	2.5/3.5	12-26
GO Recreational Facilities Bonds, Series 2013	2,905,000	3.625	09-28
Total General Obligation Bonds	<u>\$ 7,545,000</u>		

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
B. Capital Leases:			
1 1500 Dodge Ram	\$ 19,450	2.29	05-19
1 1500 Dodge Ram	20,449	2.12	05-19
1 CAT Track tractor	34,365	3.50	11-15
2 1500 Dodge Rams	40,900	2.12	01-14
2 Traverse Vehicles (BOS)	53,839	2.12	01-19
IBM Computer 8202/E4C	79,654	2.31	04-17
15 Sheriff Vehicles	433,431	2.069	08-19
Suntrust energy savings project	1,024,278	2.58	03-28
Total Capital Leases	<u>\$ 1,706,366</u>		
C. Other Loans:			
Courthouse Renovation	\$ 53,346	3.30	12-14
Port Fund - (CAP Loan)	136,831	5.18	09-17
U S Corp of Engineers Note	164,000	2.43	04-18
E911 Note	216,443	3.97	06-15
Negotiable Note, Series 2012	929,000	1.55	06-17
Warehouse Project - (CAP Loan)	2,856,548	3.00	05-22
Total Other Loans	<u>\$ 4,356,168</u>		
<u>Business-type Activities:</u>			
A. Limited Obligation Bonds:			
Mississippi Urban Renewal Revenue Bonds - Series 2009	\$ 19,135,000	3.00/4.75	09-31
Total Limited Obligation Bonds	<u>\$ 19,135,000</u>		

Pledge of Future Revenues – The County has pledged future revenues for housing inmates, net of specified operating expenses, to repay \$21,435,000 in limited obligation urban renewal revenue bonds issued in Washington County, Mississippi. Proceeds from the bonds provided financing for the construction of the Washington County Regional Correctional Facility. The bonds are not a general obligation of the county and, therefore, are not secured by the full faith and credit of the county. The bonds are payable solely from income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners and are payable through Trustmark National Bank. Annual principal and interest payments on the bonds are expected to require less than 37 percent of net revenues. The total principal and interest to be paid on the bonds is \$27,599,215. Principal and interest paid for the current year and total inmate housing revenues were \$1,624,113 and \$5,026,447 respectfully.

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

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

Governmental Activities:

<u>Year Ending September 30,</u>	<u>General Obligation Bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 550,000	\$ 232,840	\$ 1,009,408	\$ 115,984
2016	565,000	218,775	757,291	87,091
2017	580,000	203,606	774,386	68,195
2018	600,000	187,544	473,919	48,798
2019	625,000	169,594	412,006	34,559
2020-2024	2,185,000	610,388	929,158	31,686
2025-2028	2,440,000	247,494		
Total	\$ 7,545,000	\$ 1,870,241	\$ 4,356,168	\$ 386,313

Business-type Activities:

<u>Year Ending September 30,</u>	<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2015	815,000	812,413
2016	840,000	781,888
2017	870,000	752,488
2018	900,000	722,038
2019	935,000	688,288
2020-2024	5,260,000	2,857,320
2025-2029	6,485,000	1,632,233
2030-2031	3,030,000	217,550
Total	\$ 19,135,000	\$ 8,464,218

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever counties issue 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 3.20% of the latest property assessments.

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

	<u>Balance</u>				<u>Balance</u>	<u>Amount due</u>
	<u>10/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>09/30/2014</u>	<u>within one</u>
						<u>year</u>
Governmental Activities:						
Compensated absences	\$ 347,606	4,339			\$ 351,945	
General obligation bonds	5,080,000	3,000,000	535,000		7,545,000	\$ 550,000
Less: Discount	(1,841)		(307)		(1,534)	
Add: Premiums	14,379		1,643		12,736	
Capital leases	1,222,197	588,360	104,191		1,706,366	237,173
Other loans	6,274,365		1,918,197		4,356,168	1,009,408
Total	\$ 12,936,706	3,592,699	2,558,724	-	\$ 13,970,681	\$ 1,796,581
Business-type Activities:						
Compensated absences	\$ 36,012	4,688			\$ 40,700	
Limited obligation bonds	19,925,000		790,000		19,135,000	\$ 815,000
Less: Discount	(160,705)		(9,053)		(151,652)	
Total	\$ 19,800,307	4,688	780,947	-	\$ 19,024,048	\$ 815,000

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

Compensated absences will be paid by the funds from which the employees' salaries were paid which are generally the General Fund, Co-Wide Road Maintenance Fund, Bridge and Culvert Fund and WCRCF Fund.

Long-Term Debt - Component Units

Delta Regional Medical Center

A summary of long-term debt, including capital lease obligations at September 30, 2014 is as follows:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
FHA - Insured Mortgage Revenue Bonds, Series 2007	\$ 30,585,000	4.70/6.25	08-33
Capital lease obligation	1,056,692	7.00	07-30
	<u>31,641,692</u>		
Less current portion of long-term debt	(947,669)		
Plus unamortized bond premium	1,346,616		
Long-term debt, excluding current portion	<u>\$ 32,040,639</u>		

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

<u>Year Ending September 30,</u>	<u>Long - Term Debt</u>		<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 925,000	\$ 1,527,963	\$ 22,668	\$ 73,285
2016	965,000	1,485,788	32,475	71,342
2017	1,015,000	1,436,913	34,823	68,995
2018	1,065,000	1,385,537	37,339	66,478
2019	1,125,000	1,331,537	40,038	63,779
2020-2024	6,565,000	5,733,100	298,075	264,271
2025-2029	8,515,000	3,823,700	489,446	129,103
2030-2033	10,410,000	1,361,500	101,828	3,306
	<u>\$ 30,585,000</u>	<u>\$ 18,086,038</u>	<u>\$ 1,056,692</u>	<u>\$ 740,559</u>

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

	<u>Balance 10/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance 9/30/2014</u>	<u>Amount due within one year</u>
Bonds payable						
Washington County FHA-insured Revenue Bond, Series 2007	\$ 31,465,000		880,000		\$ 30,585,000	\$ 925,000
Capital lease obligations	1,076,361		19,669		1,056,692	22,669
Total	<u>\$ 32,541,361</u>		<u>899,669</u>		<u>\$ 31,641,692</u>	<u>\$ 947,669</u>

Greenville Port Commission

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

	<u>Balance 10/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance 9/30/2014</u>
Compensated absences	\$ 25,170	2,860			\$ 28,030

**WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014**

NOTE (12) DEFICIT FUND BALANCES OF INDIVIDUAL FUNDS.

<u>Fund</u>	<u>Deficit Amount</u>
Waste tire grant fund	158,838
WCSO Triad Organization	142,437
4th Circuit Drug Court FY2014 Fund	50,501
Law enforcement terror grant fund	36,075
Youth Drug Court 13/14 Fund	35,012
HUD Disaster Grant	32,184
Negotiable Note - Pay-off Corp of Engineers	24,836
2012 Juvenile Account	14,831
MS Tobacco Fund	13,482
Homeland Security	12,694
JDAI Fund	6,429
JAG Grant	5,778
2004 Refunding Bond	5,426
Texas Gas Fund	5,236
Taxable G/O Bond 2011	2,853
WC Emergency Management Training	1,898
WCSO Sec 402 Occupant Protection Fund	130

NOTE (13) 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 statement.

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

NOTE (14) NO COMMITMENT DEBT (NOT INCLUDED IN FINANCIAL STATEMENTS)

No commitment debt is repaid only by the entities for which that 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 that the absence of obligation of the county other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the county's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

Description	Balance at Sept. 30, 2014
Industrial revenue bonds	\$ 9,935,000
Urban renewal notes	12,500,000
Total	\$ 22,435,000

NOTE (15) JOINTLY GOVERNED ORGANIZATIONS.

The county participates in the following jointly governed organizations:

Mississippi Delta Community College operates in a district composed of the Counties of Bolivar, Coahoma, Humphreys, Issaquena, Leflore, Sharkey, Sunflower and Washington. The Washington County Board of Supervisors appoints two of the 20 members of the College Board of Trustees. The county appropriated 3.0 mils to the college for maintenance, improvement and enlargement in the fiscal year 2014.

Delta Community Mental Health Services operates in a district composed of the Counties of Bolivar, Issaquena, Sharkey and Washington. The Washington County Board of Supervisors appoints one of the four members of the board of commissioners. The county appropriated \$249,795 to the entity in fiscal year 2014.

The South Delta Planning and Development District operates in a district composed of the Counties of Bolivar, Humphreys, Issaquena, Sharkey, Sunflower and Washington. The Washington County Board of Supervisors appoints five of the 22 members of the board of trustees. The county appropriated \$4,500 for the support of the district in fiscal year 2014.

NOTE (16) DEFINED BENEFIT PENSION PLAN.

Plan Description - Washington County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1055 or by calling 1-800-444-PERS.

Funding Policy - At September 30, 2014, PERS members are required to contribute 9.0% 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) for the years ending September 30, 2014, 2013 and 2012 were \$1,631,355, \$1,524,409, and \$1,266,861, respectively, equal to the required contributions for each year.

NOTE (17) 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

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Washington County evaluated the activity of the County through December 18, 2015 (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2014, Washington County issued the following debt obligation.

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
1/11/2015	2.07%	\$355,800	Promissory Note	Advalorem taxes
1/15/2015	1.78%	\$563,000	Promissory Note	Advalorem taxes
12/11/2015	0.95%	\$3,000,000	Tax Anticipation Note	Advalorem taxes

WASHINGTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

Washington County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 14,050,217	\$ 13,859,067	\$ 13,859,067	\$ -
Licenses, commissions and other revenue	648,400	701,393	701,393	
Fines and forfeitures	271,000	283,096	283,096	
Charges for services	58,200	-	-	
Intergovernmental revenues	2,630,666	2,933,948	2,933,948	
Interest income	90,000	72,947	72,947	
Miscellaneous revenues	543,000	933,387	933,387	
Total Revenues	18,291,483	18,783,838	18,783,838	-
EXPENDITURES				
Current:				
General government	11,656,559	11,218,709	11,218,709	
Public safety	5,947,693	5,690,166	5,690,166	
Public works	110,000	135,124	135,124	
Health and welfare	658,558	752,093	752,093	
Culture and recreation	488,213	482,801	482,801	
Conservation of natural resources	172,806	175,609	175,609	
Economic development and assistance	625,558	406,387	406,387	
Debt Service	817,709	743,737	743,737	
Total Expenditures	20,477,096	19,604,626	19,604,626	-
Excess of Revenues over (under) Expenditures	(2,185,613)	(820,788)	(820,788)	-
OTHER FINANCING SOURCES (USES)				
Lease principal payments	463,500	463,500	463,500	
Transfers In	151,172	665,613	665,613	
Transfers Out	(119,169)	(844,551)	(844,551)	
Total Other Financing Sources and Uses	495,503	284,562	284,562	-
Net Change in Fund Balance	(1,690,110)	(536,226)	(536,226)	-
Fund Balance - Beginning	(3,339,036)	1,576,785	1,576,785	-
Fund Balance - Ending	\$ (5,029,146)	\$ 1,040,559	\$ 1,040,559	\$ -

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

Washington County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Highway Maintenance Fund
 For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 909,882	\$ 953,062	\$ 953,062	\$ -
Intergovernmental revenues	536,200	691,135	691,135	
Interest income	1,000	427	427	
Miscellaneous revenues	11,092	189,906	189,906	
Total Revenues	<u>1,458,174</u>	<u>1,834,530</u>	<u>1,834,530</u>	<u>-</u>
EXPENDITURES				
Public works	1,406,104	1,676,175	1,676,175	
Debt service	52,070	57,649	57,649	
Total Expenditures	<u>1,458,174</u>	<u>1,733,824</u>	<u>1,733,824</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>-</u>	<u>100,706</u>	<u>100,706</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	100,706	100,706	-
Fund Balance - Beginning	<u>(1,257,090)</u>	<u>650,733</u>	<u>650,733</u>	<u>-</u>
Fund Balance - Ending	<u><u>\$ (1,257,090)</u></u>	<u><u>\$ 751,439</u></u>	<u><u>\$ 751,439</u></u>	<u><u>\$ -</u></u>

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

Washington County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Bridge & Culvert Fund
 For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,725,417	\$ 3,719,194	\$ 3,719,194	\$ -
State revenues		10,683	10,683	
Interest income	5,000	4,266	4,266	
	<u>3,730,417</u>	<u>3,734,143</u>	<u>3,734,143</u>	<u>-</u>
Total Revenues				
EXPENDITURES				
Public works	<u>3,730,417</u>	<u>3,587,681</u>	<u>3,587,681</u>	
Total Expenditures	<u>3,730,417</u>	<u>3,587,681</u>	<u>3,587,681</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>-</u>	<u>146,462</u>	<u>146,462</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	146,462	146,462	-
Fund Balance - Beginning	<u>44,200</u>	<u>342,888</u>	<u>342,888</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 44,200</u>	<u>\$ 489,350</u>	<u>\$ 489,350</u>	<u>\$ -</u>

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

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2014

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	General Fund	Highway Maintenance Fund	Bridge & Culvert Fund
Budget (Cash Basis)	\$ (536,226)	\$ 100,706	\$ 146,462
Increase (Decrease)			
Net adjustments for revenue accruals	(162,981)	737,882	11,948
Net adjustments for expenditure accruals	358,386	(584,899)	(93,100)
GAAP Basis	<u>\$ (340,821)</u>	<u>\$ 253,689</u>	<u>\$ 65,310</u>

WASHINGTON COUNTY

OTHER INFORMATION

Washington County
 Schedule of Surety Bonds for County Officials
 For the Year Ended September 30, 2014

Name	Position	Company	Bond Amount
Paul H. Watson, Jr.	Supervisor District 1	Travelers Casualty & Surety	\$100,000
Mike Gordon	Supervisor District 2	Travelers Casualty & Surety	\$100,000
Troy Wesley, Sr.	Supervisor District 3	Travelers Casualty & Surety	\$100,000
Jesse Amos	Supervisor District 4	Travelers Casualty & Surety	\$100,000
Ernest Holmes	Supervisor District 5	Travelers Casualty & Surety	\$100,000
Elizabeth Smith	County Administrator	Travelers Casualty & Surety	\$100,000
Marilyn Hansell	Chancery Clerk	St. Paul Travelers	\$100,000
Barbara Esters-Parker	Circuit Clerk	Travelers Casualty & Surety	\$100,000
Milton M. Gaston, Sr.	Sheriff	Travelers Casualty & Surety	\$100,000
Patricia Ann Lee	Tax Collector	Western Surety	\$100,000
Elizabeth Smith	Purchase Clerk	Travelers Casualty & Surety	\$75,000
Judy Brown	Receiving Clerk	Travelers Casualty & Surety	\$50,000
Roderick Montgomery	Inventory Control Clerk	Travelers Casualty & Surety	\$75,000
Arthur Perry	Road Manager	Travelers Casualty & Surety	\$50,000
Mark K. Seard	Tax Assessor	Travelers Casualty & Surety	\$50,000
David Johnson	Assistant Receiving Clerk	Travelers Casualty & Surety	\$50,000
Laverne Holmes Carter	Justice Court Judge	Travelers Casualty & Surety	\$50,000
Cedric C. Bush	Justice Court Judge	Travelers Casualty & Surety	\$50,000
Laverne Simpson	Justice Court Judge	Travelers Casualty & Surety	\$50,000
Eloise H. Brooks	Justice Court Clerk	St. Paul Travelers	\$50,000
Sharon D. Taliaferro	Deputy Justice Court Clerk	Travelers Casualty & Surety	\$50,000
Paulette Porter	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Anglyn Robinson	Deputy Justice Court Clerk	Travelers Casualty & Surety	\$50,000
Babette Larry	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Geraldine Johnson	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Johmarra L. Jackson	Deputy Justice Court Clerk	Travelers Casualty & Surety	\$50,000
RC Anderson	Constable	Travelers Casualty & Surety	\$50,000
Nathaniel Watkins, Jr.	Constable	Travelers Casualty & Surety	\$50,000
Lester Walker	Constable	Travelers Casualty & Surety	\$50,000

WASHINGTON COUNTY

SPECIAL REPORTS



DAVID I. BRIDGERS, JR., CPA
L. KARL GOODMAN, CPA, MBA

MEMBERS OF
MISSISSIPPI SOCIETY OF CPA'S
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**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
Washington County, Mississippi

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Washington County, Mississippi, as of and for the year ended September 30, 2014 and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated December 18, 2015. This report is qualified on the governmental and business-type activities because the county did not record a liability or current year expense for postemployment benefits as required by accounting principles generally accepted in the United State of America. Other auditor's audited the financial statements of the Delta Regional Medical Center, the Washington County Library System and the Greenville Port Commission, as described in our report on Washington County's financial statements. However, the financial statements of the Washington County Library System were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditor's testing of internal control over financial reporting and on compliance and other matters that are reported separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Washington 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 weakness 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 Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 Responses as 14-1 and 14-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington 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*.

However, we noted certain matters that we reported to the management of Washington County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated December 18, 2015 included within this document.

Washington County's Response to Findings

Washington County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Washington County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Bridgers & Goodman, PLLC

Bridgers & Goodman, PLLC
Certified Public Accountants
Vicksburg, Mississippi

December 18, 2015



DAVID I. BRIDGERS, JR., CPA
L. KARL GOODMAN, CPA, MBA

MEMBERS OF
MISSISSIPPI SOCIETY OF CPA'S
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**INDEPENDENT ACCOUNTANT'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Washington County, Mississippi

We have examined Washington County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Section 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 Washington 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 Washington County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

In our opinion, Washington County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2014.

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

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

Bridgers & Goodman, PLLC

Bridgers & Goodman, PLLC
Certified Public Accountants
Vicksburg, Mississippi

December 18, 2015

WASHINGTON COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2014

Schedule 1

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

WASHINGTON COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2013

Schedule 2

Our test results did not identify an emergency purchases.

WASHINGTON COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2013

Schedule 3

Our test results did not identify any purchases made noncompetitively from a sole source.



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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Washington County, Mississippi

In planning and performing our audit of the financial statements of Washington County, Mississippi for the year ended September 30, 2014, we considered Washington 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 Washington 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 December 18, 2015, on the financial statements of Washington County, Mississippi.

Due to the reduced scope, these review procedures and compliance test 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 immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors

1. Finding

As reported in the prior year's report, we noted various negative fund balances. They are as follows:

<u>Fund</u>	<u>Deficit Amount</u>
Waste tire grant fund	158,838
WCSO Triad Organization	142,437
4th Circuit Drug Court FY2014 Fund	50,501
Law enforcement terror grant fund	36,075
Youth Drug Court 13/14 Fund	35,012
HUD Disaster Grant	32,184
Negotiable Note - Pay-off Corp of Engineers	24,836
2012 Juvenile Account	14,831
MS Tobacco Fund	13,482
Homeland Security	12,694
JDAI Fund	6,429
JAG Grant	5,778
2004 Refunding Bond	5,426
Texas Gas Fund	5,236
Taxable G/O Bond 2011	2,853
WC Emergency Management Training	1,898
WCSO Sec 402 Occupant Protection Fund	130

Recommendation

The Board of Supervisors should determine the reasons for the deficit fund balances and take the appropriate actions to reduce the deficits.

Board of Supervisors Response

We will monitor individual fund balances to ensure that cash is available to meet expected cash requirements.

Washington 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.

Bridgers & Goodman, PLLC

Bridgers & Goodman, PLLC
 Certified Public Accountants
 Vicksburg, Mississippi

December 18, 2015

WASHINGTON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

WASHINGTON COUNTY
Schedule of Findings and Responses
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 | Qualified |
| Business-type activities | Qualified |
| Aggregate discretely presented component units | Unmodified |
| General Fund | Unmodified |
| Highway Maintenance Fund | Unmodified |
| Bridge & Culvert Fund | Unmodified |
| Aggregate remaining fund information | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiency identified? | None Reported |
| 3. Noncompliance material to the financial statements noted? | No |

Section 2: Financial Statement Findings

Board of Supervisors

Material Weakness

14-1. Finding

A critical aspect of effective financial management is the maintenance of accurate accounting records. As reported in the prior five years' audit reports, management does not have personnel that possess the necessary qualifications and training to prepare financial statements in accordance with generally accepted accounting principles. Therefore, since the county lacked the expertise to apply generally accepted accounting principles in recording the entity's financial transactions and adequate controls in place over the recording and reporting of financial records, the risk increases that inaccurate information may be reported and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should establish adequate controls and procedures to ensure that financial transactions are recorded, presented and disclosed in accordance with generally accepted accounting principles.

Board of Supervisors' Response

The Board will establish adequate controls and procedures to ensure that financial transactions are recorded, presented and disclosed in accordance with generally accepted accounting principles.

Material Weakness

14-2. Finding

Washington County provides health insurance coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool, and offers health insurance benefit coverage through the county's health insurance 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 No. 45 Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions as a single employer defined benefit health care plan. GASB Statement No 45 requires the county to report on an accrual basis the liability associated with other postemployment benefits. However, as reported in the prior year's report, 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. The failure to properly follow generally accepted accounting principles resulted in a qualified opinion on the governmental and business-type activities. The county does not issue a publicly available financial report for their health insurance plan.

Recommendation

The Board of Supervisors should have an actuarial valuation performed annually so that a liability for other postemployment benefits can be recorded and the appropriate note disclosures can be made in accordance with accounting principles generally accepted in the United States of America.

Board of Supervisors' Response

We believe that the cost of compliance with this statement outweighs the benefits, therefore, we will not have an actuarial valuation performed.