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WASHINGTON COUNTY, MISSISSIPPI
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2013

WASHINGTON COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	6
Statement of Net Position	7
Statement of Activities	9
Balance Sheet – Governmental Funds.....	10
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Net Position – Proprietary Funds	14
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	15
Statement of Cash Flows – Proprietary Funds	16
Statement of Fiduciary Assets and Liabilities	17
Notes to Financial Statements.....	18
REQUIRED SUPPLEMENTARY INFORMATION.....	40
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)	
General Fund.....	41
Highway Maintenance Fund	42
Bridge and Culvert Fund.....	43
Notes to Required Supplementary Information.....	44
SUPPLEMENTARY INFORMATION.....	45
Schedule of Expenditures of Federal Awards	46
OTHER INFORMATION.....	47
Schedule of Surety Bonds for County Officials	48
SPECIAL REPORTS	49
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	50
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by <i>OMB Circular A-133</i>	52

WASHINGTON COUNTY

TABLE OF CONTENTS

Independent Auditor’s Report on Central Purchasing System, Inventory Control System and
Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972))..... 54

Limited Internal Control and Compliance Review Management Report 59

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 62

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, 2013, 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 of financial statements that are free of 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.

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. 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.

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.

Opinions

In our opinion, except for the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities of Washington County, Mississippi, as of September 30, 2013, and the changes in the financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of the matter discussed in the fifth paragraph, the financial statements referred to previously present fairly, in all material respects, the financial position of the business-type activities of Washington County, Mississippi, as of September 30, 2013, and the changes in the financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, 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, 2013, 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

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 this 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 requires 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washington County, Mississippi's basic financial statements. The accompanying Schedule of

Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the Schedule of Expenditures of Federal Awards fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2014, 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
Certified Public Accountants
Vicksburg, Mississippi

September 22, 2014

WASHINGTON COUNTY

FINANCIAL STATEMENTS

Washington County
Statement of Net Position
For the Year Ended September 30, 2013

Exhibit 1

	Primary Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 6,636,201		\$ 6,636,201
Investments		\$ 2,190,574	2,190,574
Property tax receivable	16,562,649		16,562,649
Fines receivable, (net of allowance for uncollectibles of \$12,681,017)	586,634		586,634
Intergovernmental receivables	1,100,010	347,173	1,447,183
Other receivables	51,325	106,487	157,812
Amortizable bond issue cost (net of accumulated amortization of \$20,177 and \$189,569)	122,954	859,109	982,063
Inventories and prepaid items		47,252	47,252
Lease payments receivable	3,138,935		3,138,935
Internal balance	820,771		820,771
Capital assets:			
Land and construction in progress	7,001,357	28,030	7,029,387
Other capital assets, net	53,558,267	16,947,651	70,505,918
Other assets			
Total Assets	89,579,103	20,526,276	110,105,379
LIABILITIES			
Claims payable	1,402,285	192,434	1,594,719
Claims and judgments payable	438,483		438,483
Intergovernmental payables	673,482		673,482
Accrued interest payable	84,403	208,528	292,931
Deferred revenue	16,839,288		16,839,288
Unearned revenue	10,137		10,137
Other payables	114,783		114,783
Internal balances	106,487	689,086	795,573
Long-term liabilities			
Due within one year:			
Capital related debt	2,244,040	790,000	3,034,040
Non-capital debt	120,000		120,000
Due in more than one year:			
Capital related debt	9,135,681	18,974,295	28,109,976
Non-capital debt	1,436,985	36,012	1,472,997
Total Liabilities	32,606,054	20,890,355	53,496,409
NET POSITION			
Net investment in capital assets	49,179,903	(2,788,614)	46,391,289
Restricted for:			
Expendable:			
General Government			0
Public safety	1,371,169	2,424,536	3,795,705
Public works	739,502		739,502
Health and welfare	207,857		207,857
Culture and recreation	263,748		263,748
Economic development	669,098		669,098
Debt service	1,828,293		1,828,293
Unrestricted	2,713,479		2,713,479
Total Net Position	\$ 56,973,049	\$ (364,078)	\$ 56,608,971

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

Component Units			
Delta Regional Medical Center	Washington County Library System	Greenville Port Commission	Total Component Units
\$ 22,011,534	\$ 276,652	\$ 1,865,602	\$ 24,153,788
20,273,932			20,273,932
627,105	51,587	349,522	1,028,214
4,819,519			4,819,519
13,003,738			13,003,738
31,304,647	226,679	7,992,559	39,523,885
15,328,360			15,328,360
<u>107,368,835</u>	<u>554,918</u>	<u>10,207,683</u>	<u>118,131,436</u>
11,535,230	40,010	54,262	11,629,502
899,669			899,669
33,103,109			33,103,109
		25,170	25,170
<u>45,538,008</u>	<u>40,010</u>	<u>79,432</u>	<u>45,657,450</u>
10,305,607	226,679	7,992,559	18,524,845
5,478,942			5,478,942
46,046,278	288,229	2,135,692	48,470,199
<u>\$ 61,830,827</u>	<u>\$ 514,908</u>	<u>\$ 10,128,251</u>	<u>\$ 72,473,986</u>

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

Washington County
Balance Sheet - Governmental Funds
September 30, 2013

Exhibit 3

	Major Funds			Other	Total
	General	Highway	Bridge &	Governmental	Governmental
	Fund	Maintenance	Culvert	Funds	Funds
		Fund	Fund		
ASSETS					
Cash	\$ 1,711,335	\$ 653,441	\$ 318,866	\$ 3,952,559	\$ 6,636,201
Property tax receivable	12,174,161	459,882	3,157,638	770,968	16,562,649
Fines receivable (net of allowance for uncollectibles of \$ 12,681,017)	586,634				586,634
Capital lease receivable	2,808,098			330,837	3,138,935
Intergovernmental receivables	282,309			817,701	1,100,010
Advances to other funds	199,660				199,660
Due from other funds	647,950	2,126	30,612	9,978	690,666
Other receivable	12,947			38,378	51,325
Total Assets	<u>18,423,094</u>	<u>1,115,449</u>	<u>3,507,116</u>	<u>5,920,421</u>	<u>28,966,080</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	674,573	231,811	33,732	462,169	1,402,285
Claims and judgments payable	438,483				438,483
Intergovernmental payables	411,678			261,804	673,482
Advances from other funds				26,839	26,839
Due to other funds	149,203				149,203
Unearned revenue				10,137	10,137
Deferred revenue	15,568,893	459,882	3,157,638	1,101,805	20,288,218
Other payables	<u>114,783</u>				<u>114,783</u>
Total Liabilities	<u>17,357,613</u>	<u>691,693</u>	<u>3,191,370</u>	<u>1,862,754</u>	<u>23,103,430</u>
Fund balances					
Nonspendable					
Advances	199,660				199,660
Restricted for:					
General government					0
Public safety				1,371,169	1,371,169
Public Works		423,756	315,746		739,502
Health and welfare				207,857	207,857
Culture and recreation				263,748	263,748
Economic development and assistance				669,098	669,098
Debt service				1,789,742	1,789,742
Unassigned	<u>865,821</u>			<u>(243,947)</u>	<u>621,874</u>
Total Fund Balances	<u>1,065,481</u>	<u>423,756</u>	<u>315,746</u>	<u>4,057,667</u>	<u>5,862,650</u>
Total Liabilities and Fund Balances	<u>\$ 18,423,094</u>	<u>\$ 1,115,449</u>	<u>\$ 3,507,116</u>	<u>\$ 5,920,421</u>	<u>\$ 28,966,080</u>

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, 2013

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,862,650
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 \$ 94,855,712.	60,559,624
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	586,634
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(12,936,706)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the Funds.	2,862,296
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(84,403)
Debt issuance costs and premiums on debts are reported as current expenditures in governmental funds, and therefore, deferred and amortized over the life of the debt in the funds.	<u>122,954</u>
Total Net Position - Governmental Activities	<u>\$ 56,973,049</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, 2013

Exhibit 4

	General Fund	Major Funds Highway Maintenance Fund	Bridge & Culvert Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 13,370,921	\$ 687,407	\$ 2,599,438	\$ 1,031,169	\$ 17,688,935
Road and bridge privilege taxes		512,600			512,600
Licenses, commissions and other revenue	780,235			93,571	873,806
Fines and forfeitures	351,872				351,872
Intergovernmental revenues	3,231,422	1,291,028	6,806	1,570,510	6,099,766
Charges for services	67,620			581,033	648,653
Interest income	167,936	419	4,192	8,439	180,986
Miscellaneous revenues	399,525	36,439		73,628	509,592
Total Revenues	18,369,531	2,527,893	2,610,436	3,358,350	26,866,210
EXPENDITURES					
Current:					
General government	11,488,126			1,651,511	13,139,637
Public safety	6,180,665			1,378,066	7,558,731
Public works	120,830	2,632,587	2,572,072	1,674,132	6,999,621
Health and welfare	813,702			94,432	908,134
Culture and recreation	510,287				510,287
Conservation of natural resources	244,599				244,599
Economic development and assistance	393,373				393,373
Debt service:					
Principal	716,474	47,918		1,078,963	1,843,355
Interest	133,555	4,151		242,746	380,452
Total Expenditures	20,601,611	2,684,656	2,572,072	6,119,850	31,978,189
Excess of Revenues over (under) Expenditures	(2,232,080)	(156,763)	38,364	(2,761,500)	(5,111,979)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	1,029,000			1,055,250	2,084,250
Lease principal payments	380,348			24,500	404,848
Total Other Financing Sources and Uses	1,409,348	-	-	1,079,750	2,489,098
Net Changes in Fund Balances	(822,732)	(156,763)	38,364	(1,681,750)	(2,622,881)
Fund Balances - Beginning	1,901,576	580,519	277,382	5,687,429	8,446,906
Prior period adjustment	(13,363)			51,988	38,625
Fund Balances - Beginning, as restated	1,888,213	580,519	277,382	5,739,417	8,485,531
Fund Balances - Ending	\$ 1,065,481	\$ 423,756	\$ 315,746	\$ 4,057,667	\$ 5,862,650

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, 2013

Exhibit 4-1

	Amount
Net Change in Fund Balances - Governmental Funds	\$ (2,622,881)
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 \$ 5,500,903, exceeded depreciation of \$ 1,520,656 in the current period.	3,980,247
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 \$ 56,074 and the proceeds from the sale of \$ 0 in the current period.	(56,074)
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.	(23,764)
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 \$ 1,843,355, exceeded debt proceeds of \$ 2,084,250.	(240,895)
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	43,938
Compensated absences	(11,102)
Net amortization on bond discount and issuance costs	(8,798)
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.	(404,848)
Change in Net Position of Governmental Activities	\$ 655,823

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

Washington County
Statement of Net Position - Proprietary Fund
September 30, 2013

Exhibit 5

	Business-type Activities Enterprise Fund WCRCF
ASSETS	
Cash	
Investments	2,190,574
Intergovernmental receivables	347,173
Due from other funds	106,487
Inventories	47,252
Total Current Assets	2,691,486
Noncurrent assets:	
Amortizable bond issue cost, net	859,109
Land	28,030
Other capital assets, net	16,947,651
Total Noncurrent Assets	17,834,790
Total Assets	20,526,276
LIABILITIES	
Claims payable	192,433
Accrued interest payable	208,528
Due to other funds	658,529
Advances from other funds	30,557
Capital debt:	
Other long-term liabilities	790,000
Total Current Liabilities	1,880,047
Noncurrent liabilities:	
Capital related debt:	
Other long-term liabilities	18,974,295
Non-capital debt:	
Compensated absences payable	36,012
Total Noncurrent Liabilities	19,010,307
NET POSITION	
Net investment in capital assets	(2,788,614)
Restricted for:	
Public safety	2,424,536
Total Net Position	\$ (364,078)

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
For the Year Ended September 30, 2013

Exhibit 6

	Business-type Activities Enterprise Fund WCRCF
Operating Revenues	
Charges for services	\$ 4,832,275
Total Operating Revenues	<u>4,832,275</u>
Operating Expenses	
Personal services	2,249,500
Contractual services	580,773
Materials and supplies	770,563
Capital outlay	7,768
Depreciation expense	384,996
Indirect administrative cost	34,647
Total Operating Expenses	<u>4,028,247</u>
Operating Income (Loss)	<u>804,028</u>
Nonoperating Revenues (Expense)	
Interest Income	84
Interest Expense	(908,779)
Other Income	47,586
Net Non-Operating Revenues (Expense)	<u>(861,109)</u>
Change in Net Position	(57,081)
Net Position - Beginning	<u>(306,997)</u>
Net Position - Ending	<u>\$ (364,078)</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, 2013

Exhibit 7

	Business-type Activities Enterprise Fund WCRCF
Cash Flows from Operating Activities	
Receipts from customers	\$ 5,154,187
Payments to suppliers	(1,464,107)
Payments to employees	(2,242,693)
Net Cash Provided (Used) by Operating Activities	1,447,387
Cash Flows From Non-Capital Financing Activities	
Other receipts	47,586
Net Cash Provided (Used) by Non-Capital Financing Activities	47,586
Cash Flows From Capital and Related Financing Activities	
Accretion of bond discount	9,054
Principal paid on debt	(765,000)
Interest paid on debt	(890,085)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,646,031)
Cash Flows From Investing Activities	
Interest on investments	84
Proceeds from sale of investment securities	150,974
Net Cash Provided (Used) by Investing Activities	151,058
Net Increase or Decrease in Cash and Cash Equivalents	-
Cash and Cash Equivalents at Beginning of Year	-
Cash and Cash Equivalents at End of Year	\$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 804,028
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	384,996
Amortization expense	48,400
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivables	239,090
(Increase) decrease in other receivables	188,815
(Increase) decrease in interfund receivables	(92,763)
Increase (decrease) in claims payable	57,657
Increase (decrease) in compensated absences liability	7,793
Increase (decrease) in interfund payables	(190,629)
Total Adjustments	643,359
Net Cash Provided (Used) by Operating Activities	\$ 1,447,387

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

Washington County
Statement of Fiduciary Assets and Liabilities
September 30, 2013

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 347,510
Due from other funds	10,579
Other receivable	<u>142,264</u>
Total Assets	<u><u>500,353</u></u>
LIABILITIES	
Intergovernmental payables	103,789
Advances from other funds	142,264
Other payables	<u>254,300</u>
Total Liabilities	<u><u>\$ 500,353</u></u>

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

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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 has 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
September 30, 2013

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.

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

Additionally, 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 Proprietary 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

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

E. Account Classifications.

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

F. 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. 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,

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

and the methods of estimation, are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

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

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

J. Long-term liabilities.

Long-term liabilities are the 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

K. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

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

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

Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

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

Government fund balance is classified as 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 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.

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

L. Property Tax Revenues.

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

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

M. Intergovernmental Revenues in Governmental Funds.

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

N. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements 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.

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE (2) PRIOR PERIOD ADJUSTMENTS.

A summary of significant equity adjustments is as follows:

Exhibit 2 - Statement of Activities:

Explanation	Amount
To correct accrued interest payable for prior year accrual error.	\$118,636
To correct Mars lease payment for prior year over accrual.	38,625
Total prior period adjustment(s)	\$157,261

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

Explanation	Amount
To correct Mars lease payment for prior year over accrual.	\$38,625
Total prior period adjustment	\$38,625

NOTE (3) DEPOSITS AND INVESTMENTS.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2013, was \$6,983,711 and the bank balance was \$7,387,631. 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, 2013, are as follows:

Investment Type	Maturities	Fair Value	Rating
U.S. Treasury	Less than one year	\$2,190,574	N/A
Total		\$2,190,574	

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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, 2013:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
Highway Maintenance Fund	General Fund	\$ 2,126
Other Governmental Funds	General Fund	9,978
Agency	Enterprise Fund	10,579
Enterprise Fund	General Fund	106,487
Bridge and Culvert Fund	General Fund	30,612
General Fund	Enterprise Fund	647,950
Total		\$807,732

Receivables between the general and enterprise fund are due to indirect cost and other operating expenses. All other receivables represent the tax revenue collected but not settled until October 2013. 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	Other Governmental Funds	26,839
General Fund	Enterprise Fund	30,557
Total		\$199,660

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 receivable of \$26,839 is for indirect cost due from the Solid Waste Fund that has not been paid in several years. The receivable of \$30,557 is due from an indirect cost allocation in prior years that have not been paid.

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE (5) INTERGOVERNMENTAL RECEIVABLES.

Intergovernmental receivables at September 30, 2013, consisted of the following:

Governmental Activities:

Description	Amount
State Legislative Tax Credit	\$197,974
VOCA/VAWA	12,335
City of Leland	72,000
Hazard mitigation grant	798,217
WCSO cops hiring program	19,484
Total	\$1,100,010

Business-type Activities:

Description	Amount
MDOC	\$266,173
City of Greenville	81,000
Total	\$347,173

NOTE (6) OTHER RECEIVABLE.

The other receivable in the Fiduciary Funds represents the amount owed by Robert L. Taylor, a former Chancery Clerk, as a part of a settlement upon conviction for embezzlement in 1984. The funds were supposed to have been repaid within the probationary period, but were not. The county has made efforts to collect this amount but have been unsuccessful.

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE (7) CAPITAL ASSETS.

The following is a summary of capital assets for the year ended September 30, 2013:

<u>Governmental activities:</u>	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept. 30, 2013
Non-depreciable capital assets:					
Land	\$ 3,906,228	\$ 798,217			\$ 4,704,445
Construction in progress	838,977	\$ 1,457,935			2,296,912
Total non-depreciable capital assets	4,745,205	2,256,152	-	-	7,001,357
Depreciable capital assets:					
Infrastructure	114,639,714	1,101,521			115,741,235
Buildings	17,779,334				17,779,334
Improvements other than buildings	825,921				825,921
Mobile equipment	6,893,610	1,095,296	467,634	694,000	8,215,272
Furniture and equipment	3,679,961	18,934		622,194	4,321,089
Leased property under capital leases	1,818,322	1,029,000		(1,316,194)	1,531,128
Total depreciable capital assets	145,636,862	3,244,751	467,634	-	148,413,979
Less accumulated depreciation for:					
Infrastructure	77,100,659	419,244			77,519,903
Buildings	7,149,900	269,285			7,419,185
Improvements other than buildings	33,038	33,038			66,076
Mobile equipment	5,262,193	610,061	411,560	437,220	5,897,914
Furniture and equipment	2,723,994	138,050		559,975	3,422,019
Leased property under capital leases	1,476,832	50,978		(997,195)	530,615
Total accumulated depreciation	93,746,616	1,520,656	411,560	-	94,855,712
Total depreciable capital assets, net	51,890,246	1,724,095	56,074	-	53,558,267
Governmental activities capital assets, net	\$ 56,635,451	\$ 3,980,247	\$ 56,074	\$ -	\$ 60,559,624

Adjustments are due to reclassification of assets.

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

<u>Business-type activities:</u>	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept. 30, 2013
Non-depreciable capital assets:					
Land	\$ 28,030				\$ 28,030
Total non-depreciable capital assets	28,030				28,030
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	17,750,145	-			17,750,145
Less accumulated depreciation for:					
Buildings	347,976	347,976			695,952
Improvements other than buildings	4,522	4,522			9,044
Furniture and equipment	65,000	32,498			97,498
Total accumulated depreciation	417,498	384,996			802,494
Total depreciable capital assets, net	17,332,647	(384,996)			16,947,651
Business-type activities capital assets, net	\$ 17,360,677	\$ (384,996)			\$ 16,975,681

Depreciation expense was charged to the following functions:

<u>Governmental Activities:</u>	Amount
General government	\$ 408,028
Public safety	198,648
Public works	901,279
Culture and recreation	12,701
Total governmental activities depreciation expense	\$ 1,520,656
<u>Business-type Activities:</u>	
Public safety	\$ 384,996
	\$ 384,996

Commitments with respect to unfinished capital projects at September 30, 2013, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Courthouse Renovations	\$703,088	12-2013

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

Capital Assets - Component Units

Delta Regional Medical Center

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept. 30, 2013
Non-depreciable capital assets:					
Land	\$ 3,531,832				\$ 3,531,832
Land under capital lease	1,145,500				1,145,500
Construction in progress	7,722,329	667,314	63,237		8,326,406
Total non-depreciated capital assets	12,399,661	667,314	63,237		13,003,738
Depreciable capital assets:					
Land improvements	860,754				860,754
Buildings	42,393,475	123,502			42,516,977
Fixed equipment	12,152,526		75,089		12,077,437
Equipment	49,024,594	2,559,239	828,606		50,755,227
Total depreciable capital assets	\$ 104,431,349	\$ 2,682,741	\$ 903,695		\$ 106,210,395
Less accumulated depreciation for:					
Land improvements	609,420	29,251			638,671
Buildings	19,975,595	1,643,321			21,618,916
Fixed equipment	9,827,574	343,488	75,089		10,095,973
Equipment	40,817,794	2,485,183	750,789		42,552,188
Total accumulated depreciation	71,230,383	4,501,243	825,878		74,905,748
Total depreciable capital assets, net	33,200,966	(1,818,502)	77,817		31,304,647
Total capital assets, net	\$ 45,600,627	\$ (1,151,188)	\$ 141,054		\$ 44,308,385

Washington County Library System

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept. 30, 2013
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	529,025	2,015			531,040
Total depreciable capital assets	929,538		-		931,553
Less: accumulated depreciation	(674,193)	(30,681)			(704,874)
Total capital assets, net	\$ 255,345		\$ -		\$ 226,679

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

<u>Greenville Port Commission</u>	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept. 30, 2013
Non-depreciable capital assets:					
Construction in progress	\$ 636,916	\$ 27,200		\$ (664,116)	\$ -
Total non-depreciable capital assets	636,916	27,200			-
Depreciable capital assets:					
Building facilities	201,400			622,060	823,460
Improvements other than buildings	1,108,957	309,572		42,056	1,460,585
Machinery and equipment	10,186,333	29,637			10,215,970
Office furniture and fixtures	53,560				53,560
Total depreciable capital assets	11,550,250	339,209		664,116	12,553,575
Less accumulated depreciation for:					
Building facilities	102,552	11,810			114,362
Improvements other than buildings	403,027	212,394			615,421
Machinery and equipment	3,484,405	326,188			3,810,593
Office furniture and fixtures	20,640				20,640
Total accumulated depreciation	4,010,624	550,392			4,561,016
Total depreciable capital assets	7,539,626	(211,183)		664,116	7,992,559
Total capital assets, net	\$ 8,176,542	\$ (183,983)			\$ 7,992,559

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, 2013, to January 1, 2014. 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 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).

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

The following table provides changes in the balances of claims liabilities for fiscal years 2012 and 2013:

	2012	2013
Unpaid Claims, Beginning of Fiscal Year	\$ 530,601	\$ 503,936
Plus: Incurred Claims (Including IBNRs)	4,179,197	3,834,458
Less: Claims payments	4,205,863	3,899,911
Unpaid Claims, End of Fiscal Year	<u>\$ 503,935</u>	<u>\$ 438,483</u>

NOTE (9) CAPITAL LEASES.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2013:

<u>Class of Property</u>	<u>Amount</u>
Buildings:	
MARS - warehouse	\$ 2,564,758
Brocato	<u>297,537</u>
Total	<u>\$ 2,862,295</u>

The future minimum lease receivable and the present value of the net minimum lease receivable as of September 30, 2013, are as follows:

Year Ended September 30,	<u>Principal</u>	<u>Interest</u>
2014	\$ 416,912	\$ 77,291
2015	429,336	64,867
2016	442,135	52,068
2017	455,316	38,887
2018	468,894	25,309
2019-2023	<u>649,702</u>	<u>18,218</u>
Total	<u>\$ 2,862,295</u>	<u>\$ 276,640</u>

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2013:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 352,138
Computer equipment	149,990
	<u>1,029,000</u>
Total	1,531,128
Less: Accumulated depreciation	<u>530,615</u>
Leased Property Under Capital Leases	<u>\$ 1,000,513</u>

The following is a schedule by years of the total payments due as of September 30, 2013:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 83,900	\$ 44,525
2015	123,926	28,064
2016	101,934	24,969
2017	86,077	22,557
2018	69,441	20,652
2019-2023	375,303	75,163
2024-2028	<u>381,616</u>	<u>23,808</u>
Total	<u>\$ 1,222,197</u>	<u>\$ 239,738</u>

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.

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE (11) LONG TERM DEBT.

(11) Long - term Debt.

Debt outstanding as of September 30, 2013, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
<u>Governmental Activities:</u>			
A. General Obligation Bonds:			
GO Bonds, Series 2011	\$ 2,855,000	2.5/3.5	12-26
GO Road and Bridge Refunding Bonds, Series 2011	1,195,000	2.0/3.0	07-22
GO Industrial Development Refunding Bonds, Series 2011	1,030,000	1.50/3.75	05-19
Total General Obligation Bonds	<u>\$ 5,080,000</u>		
B. Capital Leases:			
IBM Computer 8202/E4C	\$ 109,235	2.31	04-17
Suntrust energy savings project	1,029,000	2.58	03-28
1 770G Motor grader	21,237	3.38	01-14
1 CAT Track tractor	62,725	3.50	11-15
Total Capital Leases	<u>\$ 1,222,197</u>		
C. Other Loans:			
U S Corp of Engineers Note	\$ 205,000	2.43	04-18
Hazard Mitigation Note	850,250	1.68	11-13
Negotiable Note, Series 2012	1,229,000	1.55	06-17
Port Fund - (CAP Loan)	166,161	5.18	09-17
SRM Fund - (CAP Loan)	93,117	3.00	06-19
Courthouse Renovation	104,966	3.30	12-14
E911 Note	417,299	3.97	06-15
Warehouse Project - (CAP Loan)	3,208,572	3.00	05-22
Total Other Loans	<u>\$ 6,274,365</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 \$29,223,328. Principal and interest paid for the current year and total inmate housing revenues were \$1,622,063 and \$4,832,275 respectfully.

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

Governmental Activities:

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

Year Ending September 30,	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2014	\$ 440,000	\$ 137,209	\$ 1,840,140	\$ 153,551
2015	450,000	127,534	1,024,926	118,068
2016	460,000	117,094	771,957	90,028
2017	470,000	105,731	790,862	69,322
2018	485,000	93,656	480,392	49,323
2019-2023	1,775,000	281,494	1,366,088	66,244
2024-2028	1,000,000	68,650		
Total	\$ 5,080,000	\$ 931,368	\$ 6,274,365	\$ 546,536

Business-type Activities:

Year Ending September 30,	Limited Obligation Bonds	
	Principal	Interest
2014	\$ 790,000	\$ 834,113
2015	815,000	812,413
2016	840,000	781,888
2017	870,000	752,488
2018	900,000	722,038
2019-2023	5,055,000	3,060,676
2024-2028	6,210,000	1,908,151
2029-2031	4,445,000	426,561
Total	\$ 19,925,000	\$ 9,298,328

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, 2013, the amount of outstanding debt was equal to 3.17% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2013:

	Balance 10/1/2012	Additions	Reductions	Adjustments	Balance 09/30/2013	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 336,504	\$ 11,102			\$ 347,606	
General obligation bonds	5,740,000		660,000		5,080,000	\$ 440,000
Less: Discount	(2,148)		(307)		(1,841)	
Add: Premiums	16,022		1,643		14,379	
Capital leases	270,021	1,029,000	76,824		1,222,197	83,900
Other loans	6,325,646	1,055,250	1,106,531		6,274,365	1,840,140
Total	\$ 12,686,045	\$ 2,095,352	\$ 1,844,691		\$ 12,936,706	\$ 2,364,040
Business-type Activities:						
Compensated absences	\$ 28,218	\$ 7,794			\$ 36,012	
Limited obligation bonds	20,690,000		765,000		19,925,000	790,000
Less: Discount	(169,759)		(9,054)		(160,705)	
Total	\$ 20,548,459	\$ 7,794	\$ 755,946	\$ -	\$ 19,800,307	\$ 790,000

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 WCRF Fund.

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

Long-Term Debt - Component Units

Delta Regional Medical Center

A summary of long-term debt, including capital lease obligations at September 30, 2013 is as follows:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
FHA - Insured Mortgage Revenue Bonds, Series 2007	\$ 31,465,000	4.70/6.25	08-33
Capital lease obligation	1,076,361	7.00	07-30
	<u>32,541,361</u>		
Less current portion of long-term debt	(899,669)		
Plus unamortized bond premium	1,461,417		
Long-term debt, excluding current portion	<u>\$ 33,103,109</u>		

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

Year Ending September 30,	Long - Term Debt		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2014	\$ 880,000	\$ 1,566,963	\$ 19,669	\$ 74,711
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	1,385,538	37,339	66,478
2019-2023	6,235,000	6,055,231	267,984	283,980
2024-2028	8,090,000	4,241,856	445,462	161,674
2029-2033	12,290,000	1,952,750	215,941	14,805
	<u>\$ 31,465,000</u>	<u>\$ 19,653,002</u>	<u>\$ 1,076,361</u>	<u>\$ 815,270</u>

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2013:

	Balance 10/1/2012	Additions	Reductions	Adjustments	Balance 9/30/2013	Amount due within one year
Bonds payable						
Washington County FHA-insured Revenue Bond, Series 2007	\$ 32,310,000		\$ 845,000		\$ 31,465,000	\$ 880,000
Capital lease obligations	1,099,773		23,412		1,076,361	19,669
Total	<u>\$ 33,409,773</u>		<u>\$ 868,412</u>		<u>\$ 32,541,361</u>	<u>\$ 899,669</u>

Greenville Port Commission

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2013:

	Balance 10/1/2012	Additions	Reductions	Adjustments	Balance 9/30/2013
Compensated absences	\$ 25,848		\$ 678		\$ 25,170

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE (12) DEFICIT FUND BALANCES OF INDIVIDUAL FUNDS.

The following funds reported deficits in fund balances at September 30, 2013:

Fund	Deficit Amount
MS Tobacco Fund	8,733
WCSO Triad Organization	3,000
Texas Gas Fund	5,236
JDAI Fund	6,429
2004 Refunding Bond	8,554
Homeland Security	12,694
2012 Juvenile Account	25,021
Law enforcement terror grant fund	36,075
Garbage Collection Fund	36,141
Taxable G/O Bond 2011	4,718
Waste tire grant fund	106,338
4th Circuit Drug Court FY2013 Fund	2,777
4th Circuit Drug Court FY2014 Fund	139,342
WCSO Cops Hiring Program Fund	10,698
WCSO Sec 402 Occupant Protection Fund	751

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
September 30, 2013

<u>Description</u>	<u>Balance at Sept. 30, 2013</u>
Industrial revenue bonds	\$ 9,935,000
Urban renewal notes	<u>12,500,000</u>
Total	<u>\$ 22,435,000</u>

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 2013

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 \$223,500 to the entity in fiscal year 2013.

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 \$5,000 for the support of the district in fiscal year 2013.

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, 2013, 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, 2013 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, 2013, 2012 and 2011 were \$1,524,409, \$1,266,861, and \$1,057,817, respectively, equal to the required contributions for each year.

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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 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 September 22, 2014 (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2013, the 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>
1/6/2014	2.12%	\$65,073.86	Capital Lease	Advalorem taxes
		\$850,250	Promissory Note	FEMA grant proceeds
12/5/2013	3.625%	\$3,000,000	General Obligation Bond	Lease revenue/ Consumer tax

WASHINGTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

Washington County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 13,017,941	\$ 13,334,915	\$ 13,334,915	
Licenses, commissions and other revenue	717,525	712,013	712,013	
Fines and forfeitures	325,000	351,872	351,872	
Charges for services	58,820	58,820	58,820	
Intergovernmental revenues	2,331,300	3,240,481	3,240,481	
Interest income	181,600	83,919	83,919	
Miscellaneous revenues	996,000	943,993	943,993	
Total Revenues	<u>17,628,186</u>	<u>18,726,013</u>	<u>18,726,013</u>	
EXPENDITURES				
Current:				
General government	13,101,268	10,510,371	10,510,371	
Public safety	3,557,178	6,138,030	6,138,030	
Public works	95,000	124,794	124,794	
Health and welfare	919,855	810,474	810,474	
Culture and recreation	485,868	496,749	496,749	
Conservation of natural resources	258,406	244,842	244,842	
Economic development and assistance	407,627	389,874	389,874	
Debt Service	874,587	818,236	818,236	
Total Expenditures	<u>19,699,789</u>	<u>19,533,370</u>	<u>19,533,370</u>	
Excess of Revenues over (under) Expenditures	<u>(2,071,603)</u>	<u>(807,357)</u>	<u>(807,357)</u>	
OTHER FINANCING SOURCES (USES)				
Lease principal payments	499,750	424,875	424,875	
Transfers In	142,472	739,296	739,296	
Transfers Out	<u>(140,000)</u>	<u>(977,266)</u>	<u>(977,266)</u>	
Total Other Financing Sources and Uses	<u>502,222</u>	<u>186,905</u>	<u>186,905</u>	
Net Change in Fund Balance	<u>(1,569,381)</u>	<u>(620,452)</u>	<u>(620,452)</u>	
Fund Balance - Beginning	<u>(1,769,655)</u>	<u>2,197,237</u>	<u>2,197,237</u>	
Fund Balance - Ending	<u>\$ (3,339,036)</u>	<u>\$ 1,576,785</u>	<u>\$ 1,576,785</u>	<u>\$ -</u>

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

Washington County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Highway Maintenance Fund
 For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 621,453	\$ 687,743	\$ 687,743	
Intergovernmental revenues	536,300	973,178	973,178	
Interest income	1,000	419	419	
Miscellaneous revenues	11,092	36,439	36,439	
Total Revenues	1,169,845	1,697,779	1,697,779	
EXPENDITURES				
Public works	1,545,938	1,545,939	1,545,939	
Debt service		52,069	52,069	
Total Expenditures	1,545,938	1,598,008	1,598,008	
Excess of Revenues over (under) Expenditures	(376,093)	99,771	99,771	
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets				
Total Other Financing Sources and Uses				
Net Change in Fund Balance	(376,093)	99,771	99,771	
Fund Balance - Beginning	(880,997)	550,962	550,962	
Fund Balance - Ending	\$ (1,257,090)	\$ 650,733	\$ 650,733	\$ -

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

Washington County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Bridge & Culvert Fund
 For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,516,875	\$ 2,595,114	\$ 2,595,114	
State revenues		6,807	6,807	
Interest income	5,000	4,192	4,192	
	<u>2,521,875</u>	<u>2,606,113</u>	<u>2,606,113</u>	
Total Revenues				
EXPENDITURES				
Public works	<u>2,629,498</u>	<u>2,552,559</u>	<u>2,552,559</u>	
	<u>2,629,498</u>	<u>2,552,559</u>	<u>2,552,559</u>	
Total Expenditures				
Excess of Revenues over (under) Expenditures	<u>(107,623)</u>	<u>53,554</u>	<u>53,554</u>	
OTHER FINANCING SOURCES (USES)				
Total Other Financing Sources and Uses				
Net Change in Fund Balance	(107,623)	53,554	53,554	
Fund Balance - Beginning	<u>151,823</u>	<u>289,334</u>	<u>289,334</u>	
Fund Balance - Ending	<u>\$ 44,200</u>	<u>\$ 342,888</u>	<u>\$ 342,888</u>	<u>\$ -</u>

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

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2013

A. Budgetary Information.

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

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

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The 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)	\$ (620,452)	\$ 99,771	\$ 53,554
Increase (Decrease)			
Net adjustments for revenue accruals	(225,594)	(77,508)	4,324
Net adjustments for expenditure accruals	23,314	(179,026)	(19,514)
GAAP Basis	<u>\$ (822,732)</u>	<u>\$ (156,763)</u>	<u>\$ 38,364</u>

WASHINGTON COUNTY

SUPPLEMENTARY INFORMATION

Washington County
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Disbursements/ Expenditures
U.S. Department of Housing and Urban Development - Office of Community Planning and Development / Passed- through Mississippi Development Authority			
CDBG - State Administered			
Community development block grant/state's program	14.228	1126-09-076-ED-01	\$ 439,017 *
Total U.S. Department of Housing and Urban Development			<u>439,017</u>
U.S. Department of Justice			
Passed-through Mississippi Department of Public Safety			
Crime victim assistance	16.575	11VA1762 12VA1762	43,001
U.S. Department of Justice - Violence Against Women Office / Passed-through Mississippi Department of Public Safety			
Violence against women formula grant	16.588	11SP1761 12SP1761	29,919
U.S. Department of Justice			
Public safety partnership and community policing grant	16.710	N/A	60,621
U.S. Department of Justice - Edward Byrne Memorial State and Local Law			
Edward Byrne memorial justice assistance grant	16.738	N/A	14,913
ARRA - Edward Byrne memorial justice assistance grant	16.803	N/A	42,166
Total JAG Program Cluster			<u>57,079</u>
Total Department of Justice			<u>190,620</u>
U.S. Department of Transportation / Passed-through Mississippi Department of Transportation			
Highway planning and construction	20.205	N/A	124,314
U.S. Department of Transportation / Passed-through Mississippi Department of Wildlife Fisheries and Parks			
Recreational Trails Program	20.219	28-RTP-215	3,387
Total Highway Planning and Construction Cluster			<u>127,701</u>
Total Department of Transportation			<u>127,701</u>
U.S. Department of Homeland Security / Passed-through Mississippi Department of Public Safety			
Law enforcement officers grant	97.XXX	S10LE076T	33,000
U.S. Department of Homeland Security / Passed-through Mississippi Emergency Management Agency			
Disaster grant - public assistance	97.036	N/A	798,217 *
Emergency management performance grants	97.042	N/A	44,589
Total United States Department of Homeland Security			<u>875,806</u>
Total Expenditures of Federal Awards			<u>\$ 1,633,144</u>

Note A - Significant Accounting Policies

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

* Denotes Major Program

WASHINGTON COUNTY

OTHER INFORMATION

Washington County
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2013

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
Davida 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
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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, 2013 and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated September 22, 2014. 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. 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 Questioned Costs, 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough

to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 13-1 and 13-2 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 September 22, 2014 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 Questioned Costs. 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

September 22, 2014



BRIDGERS & GOODMAN, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Corporation

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

MEMBERS OF
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Supervisors
Washington County, Mississippi

Report on Compliance for Each Major Program

We have audited Washington County, Mississippi compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended September 30, 2013. Washington County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Washington County, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Washington County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our

audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Washington County, Mississippi's compliance.

Opinion on Each Major Program

In our opinion, Washington County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of Washington County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing our audit, we considered Washington County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

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

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

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

September 22, 2014



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

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

Members of the Board of Supervisors
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, 2013. 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, 2013.

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.

Bridges & Goodman, PLLC
Bridges & Goodman, PLLC
Certified Public Accountants
Vicksburg, Mississippi

September 22, 2014

WASHINGTON COUNTY

Schedule 1

**Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2013**

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 3

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

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, 2013, 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 September 22, 2014, 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:

Circuit Clerk

1. Finding

Section 9-1-43, MS Code Ann. (1972), establishes a salary cap of \$90,000 for the Circuit Clerk after taking deductions for employee salaries and benefits and other expenses allowed as deductions on Schedule C, Form 1040, by the Internal Code. Amounts reported in excess of the \$90,000 salary cap are to be paid to the county by April 15th of the following year. The Circuit Clerk failed to pay amounts of \$2,141 for 2013 and \$1,601 for 2012. The Clerk remitted excess fees due the county on May 7, 2014.

Recommendation

The Circuit Clerk must pay the amounts due to the county as required by Section 9-1-43, MS Code Ann. (1972).

Circuit Clerk's Response

I will comply with the requirements of Section 9-1-43.

Board of Supervisors

1. Finding

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

MS Tobacco Fund	8,733
WCSO Triad Organization	3,000
Texas Gas Fund	5,236
JDAI Fund	6,429
2004 Refunding Bond	8,554
Homeland Security	12,694
2012 Juvenile Account	25,021
Law enforcement terror grant fund	36,075
Garbage Collection Fund	36,141
Taxable G/O Bond 2011	4,718
Waste tire grant fund	106,338
4th Circuit Drug Court FY2013 Fund	2,777
4th Circuit Drug Court FY2014 Fund	139,342
WCSO Cops Hiring Program Fund	10,698
WCSO Sec 402 Occupant Protection Fund	751

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

September 22, 2014

WASHINGTON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WASHINGTON COUNTY**Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013**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 |

Federal Awards:

- | | |
|--|---------------|
| 4. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiency identified? | None Reported |
| 5. Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section __.510 of OMB Circular A-133 ? | No |
| 7. Federal program identified as major program: | |
| a. Community development block grant/state's program and Non-entitlement grants in Hawaii CFDA# 14.228 | |
| b. Disaster grants – public assistance CFDA# 97.036 | |
| 8. The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as a low-risk auditee? | No |

Section 2: Financial Statement Findings

Board of Supervisors

Material Weakness

13-1. Finding

A critical aspect of effective financial management is the maintenance of accurate accounting records. As reported in the prior four 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

13-2. 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.

Section 3: Federal Award Findings and Questioned Costs

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