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WASHINGTON COUNTY, MISSISSIPPI
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2016

Bridgers & Goodman, PLLC
Certified Public Accountants
Vicksburg, Mississippi

**WASHINGTON COUNTY
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WASHINGTON COUNTY

FINANCIAL SECTION



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

MEMBERS OF
MISSISSIPPI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S
GOVERNMENT AUDIT QUALITY CENTER

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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Delta Regional Medical Center, the Greenville Port Commission, or the Washington County Library System, component 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. Our audit and the component unit audits of the Delta Regional Medical Center and the Greenville Port Commission were conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. However, the financial statements of the Washington County Library System, component unit, audited by another auditor, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's

preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Washington County, Mississippi, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes, the Schedule of Funding Progress – Other Postemployment Benefits, the Schedule of the County's and Component Unit's Proportionate Share of the Net Pension Liability, the Schedule of County's and Component Unit's Contributions, and the Delta Regional Medical Center's Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

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

or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2017, on our consideration of Washington County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Washington County, Mississippi's internal control over financial reporting and compliance.

Bridgers & Goodman, PLLC

Bridgers & Goodman, PLLC
Certified Public Accountants
Vicksburg, Mississippi

July 25, 2017

WASHINGTON COUNTY

FINANCIAL STATEMENTS

WASHINGTON COUNTY
Statement of Net Position
September 30, 2016

Exhibit 1

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	Delta Regional Medical Center	Greenville Port Commission	Washington County Library System	Total Component Units
ASSETS							
Cash	\$ 10,108,665	\$ 245,959	\$ 10,354,624	\$ 59,467,328	\$ 3,219,643	\$ 272,587	\$ 62,959,558
Investments		2,371,620	2,371,620				
Property tax receivable	20,457,527		20,457,527				
Fines receivable, (net of allowance for uncollectibles of \$12,701,538)	498,984		498,984				
Intergovernmental receivables	434,598	306,092	740,690	17,718,110			17,718,110
Other receivables	256,202		256,202		249,528		249,528
Inventories and prepaid items	48,293	266,647	314,940	2,435,836			2,435,836
Capital lease receivable	1,417,598		1,417,598		1,250		1,250
Internal balances	2,736,197	(2,736,197)	-				
Capital assets:							
Land and construction in progress	7,037,019	28,030	7,065,049	5,876,954	5,000		5,881,954
Other capital assets, net	58,873,070	14,597,994	73,471,064	32,594,795	6,812,836	152,529	39,560,160
Other assets				1,627,968			1,627,968
Total Assets	101,868,153	15,080,145	116,948,298	119,720,991	10,288,257	425,116	130,434,364
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows related to pensions	5,232,265	923,340	6,155,605	826,423	198,955	247,661	1,273,039
Total Deferred Inflows of Resources	5,232,265	923,340	6,155,605	826,423	198,955	247,661	1,273,039
LIABILITIES							
Claims payable	570,421	102,159	672,580	18,042,808	42,001	42,509	18,127,318
Claims and judgments payable	458,337		458,337				
Intergovernmental payables	730,616		730,616				
Accrued interest payable	52,890	188,121	241,011				
Other payables	118,150		118,150		35,931		35,931
Long-term liabilities							
Other postemployment benefits	14,416,080	2,245,645	16,661,725				
Net pension liability	25,355,815	4,474,554	29,830,369	8,788,285	1,250,376	1,178,924	11,217,585
Due within one year:							
Capital related debt	1,995,290	870,000	2,865,290	1,049,830			1,049,830
Non-capital debt	130,000		130,000				
Due in more than one year:							
Capital related debt	8,633,376	16,476,456	25,109,832	29,773,412			29,773,412
Non-capital debt	1,059,543	47,849	1,107,392		36,631		36,631
Total Liabilities	53,520,518	24,404,784	77,925,302	57,654,335	1,364,939	1,221,433	60,240,707
DEFERRED INFLOWS OF RESOURCES							
Property tax for future reporting period	20,457,527		20,457,527				
Capital leases for future reporting period	64,714		64,714				
Deferred inflows related to pensions	560,464	98,906	659,370	114,344	102,710	75,976	293,030
Total Deferred Inflows of Resources	21,082,705	98,906	21,181,611	114,344	102,710	75,976	293,030
NET POSITION							
Net investment in capital assets	55,281,423	(2,720,432)	52,560,991	7,648,507	6,817,836	152,529	14,618,872
Restricted for:							
Expendable:							
General government	64,922		64,922				
Public safety	240,980		240,980				
Public works	2,297,327		2,297,327				
Culture and recreation	2,523,656		2,523,656				
Debt service	315,394		315,394	8,899,946			8,899,946
Unrestricted	(28,226,507)	(5,779,773)	(34,006,280)	46,230,282	2,201,727	(777,161)	47,654,848
Total Net Position	\$ 32,497,195	\$ (8,500,205)	\$ 23,996,990	\$ 62,778,735	\$ 9,019,563	\$ (624,632)	\$ 71,173,666

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

WASHINGTON COUNTY
Statement of Activities
For the Year Ended September 30, 2016

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position							
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units				
					Governmental Activities	Business-type Activities	Total	Delta Regional Medical Center	Greenville Port Commission	Washington County Library System	Total Component Units	
Primary government:												
Governmental activities:												
General government	\$ 10,826,474	\$ 1,381,308	\$ 178,528		\$ (9,266,638)		\$ (9,266,638)					
Public safety	6,925,909	737,736	123,299	\$ 6,250	(6,058,624)		(6,058,624)					
Public works	6,447,346		3,033,970		(3,413,376)		(3,413,376)					
Health and welfare	888,829				(888,829)		(888,829)					
Culture and recreation	577,075			18,717	(558,358)		(558,358)					
Conservation of natural resources	145,264				(145,264)		(145,264)					
Economic development and assistance	416,666				(416,666)		(416,666)					
Interest on long-term debt	382,503				(382,503)		(382,503)					
Pension expense	3,481,829				(3,481,829)		(3,481,829)					
Total Governmental Activities	30,091,895	2,119,044	3,335,797	24,967	(24,612,087)		(24,612,087)					
Business-type activities:												
Correctional facility	5,977,952	4,367,009				(1,610,943)	(1,610,943)					
Total Business-type Activities	5,977,952	4,367,009				(1,610,943)	(1,610,943)					
Total Primary Government	\$ 36,069,847	\$ 6,486,053	\$ 3,335,797	\$ 24,967	(24,612,087)	(1,610,943)	(26,223,030)					
Component Units:												
Delta Regional Medical Center	\$ 122,232,853	\$ 125,549,299						\$ 3,316,446				\$ 3,316,446
Greenville Port Commission	1,638,161	535,070							\$ (1,103,091)			(1,103,091)
Washington County Library System	847,146		\$ 853,620							\$ 6,474		6,474
Total Component Units	\$ 124,718,160	\$ 126,084,369	\$ 853,620	\$ -				3,316,446	(1,103,091)	6,474		2,219,829
General revenues:												
Property taxes					22,275,728		22,275,728					
Road & bridge privilege taxes					410,603		410,603					
Grants and contributions not restricted to specific programs					3,013,378		3,013,378	295,997				295,997
Unrestricted interest income					47,904	121	48,025		11,380			11,380
Unrestricted investment income								620,117				620,117
Miscellaneous					382,881	27,938	410,819		602,505			602,505
Transfers					1,420		1,420					
Total General Revenues					26,131,914	28,059	26,159,973	916,114	613,885	-		1,529,999
Changes in Net Position					1,519,827	(1,582,884)	(63,057)	4,232,560	(489,206)	6,474		3,749,828
Net Position - Beginning					43,087,294	(5,136,419)	37,950,875	58,546,175	9,508,769	(631,106)		67,423,838
Prior period adjustments					(12,109,926)	(1,780,902)	(13,890,828)					-
Net Position - Beginning, as restated					30,977,368	(6,917,321)	24,060,047	58,546,175	9,508,769	(631,106)		67,423,838
Net Position - Ending					\$ 32,497,195	\$ (8,500,205)	\$ 23,996,990	\$ 62,778,735	\$ 9,019,563	\$ (624,632)		\$ 71,173,666

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

WASHINGTON COUNTY
Balance Sheet – Governmental Funds
September 30, 2016

Exhibit 3

	Major Funds				
	General Fund	Highway Maintenance Fund	Bridge & Culvert Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 4,968,220	\$ 1,574,460	\$ 511,245	\$ 3,054,740	\$ 10,108,665
Property tax receivable	15,754,182	199,431	3,341,718	1,162,196	20,457,527
Fines receivable (net of allowance for uncollectibles of \$12,701,538)	498,984				498,984
Capital lease receivable	1,417,598				1,417,598
Intergovernmental receivables	342,688			91,910	434,598
Advances to other funds	1,975,462				1,975,462
Due from other funds	993,395	175,086	208,808	62,695	1,439,984
Other receivable	124,517				124,517
Prepaid expense	48,293				48,293
Total Assets	<u>26,123,339</u>	<u>1,948,977</u>	<u>4,061,771</u>	<u>4,371,541</u>	<u>36,505,628</u>
LIABILITIES					
Liabilities:					
Claims payable	339,939	58,094	86,583	85,805	570,421
Claims and judgments payable	458,337				458,337
Intergovernmental payables	703,021	27,595			730,616
Due to other funds	547,564				547,564
Other payables	118,150				118,150
Total Liabilities	<u>2,167,011</u>	<u>85,689</u>	<u>86,583</u>	<u>85,805</u>	<u>2,425,088</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	15,754,182	199,431	3,341,718	1,162,196	20,457,527
Unavailable revenue - fines	498,984				498,984
Unavailable revenue - capital leases	1,417,598				1,417,598
Total Deferred Inflows of Resources	<u>17,670,764</u>	<u>199,431</u>	<u>3,341,718</u>	<u>1,162,196</u>	<u>22,374,109</u>
FUND BALANCES					
Nonspendable:					
Prepaid items	48,293				48,293
Advances	1,975,462				1,975,462
Restricted for:					
General Government				64,922	64,922
Public safety				240,980	240,980
Public Works		1,663,857	633,470		2,297,327
Culture and recreation				2,523,656	2,523,656
Debt service				368,284	368,284
Unassigned	4,261,809			(74,302)	4,187,507
Total Fund Balances	<u>6,285,564</u>	<u>1,663,857</u>	<u>633,470</u>	<u>3,123,540</u>	<u>11,706,431</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 26,123,339</u>	<u>\$ 1,948,977</u>	<u>\$ 4,061,771</u>	<u>\$ 4,371,541</u>	<u>\$ 36,505,628</u>

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

WASHINGTON COUNTY**Exhibit 3-1****Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2016**

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 11,706,431
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 \$98,378,416	65,910,089
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	498,984
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(11,818,209)
Other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(14,416,080)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(25,355,815)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the Funds.	1,352,884
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	5,232,265
Deferred inflows of resources related to pensions	(560,464)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(52,890)
Total Net Position - Governmental Activities	<u>\$ 32,497,195</u>

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

WASHINGTON COUNTY
Exhibit 4
**Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds
For the Year Ended September 30, 2016**

	Major Funds				
	General Fund	Highway Maintenance Fund	Bridge & Culvert Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 17,073,132	\$ 258,808	\$ 3,610,390	\$ 1,333,398	\$ 22,275,728
Road and bridge privilege taxes		410,603			410,603
Licenses, commissions and other revenue	1,055,972			98,415	1,154,387
Fines and forfeitures	318,241			9,132	327,373
Intergovernmental revenues	2,527,126	2,740,784	6,411	1,099,821	6,374,142
Charges for services	101,040			566,352	667,392
Interest income	47,904				47,904
Miscellaneous revenues	308,832	58,427		15,622	382,881
Total Revenues	<u>21,432,247</u>	<u>3,468,622</u>	<u>3,616,801</u>	<u>3,122,740</u>	<u>31,640,410</u>
EXPENDITURES					
Current:					
General government	9,514,224			339,367	9,853,591
Public safety	5,872,741			844,757	6,717,498
Public works	44,536	3,006,818	3,623,382	958,785	7,633,521
Health and welfare	770,513			100,840	871,353
Culture and recreation	385,097			585,928	971,025
Conservation of natural resources	131,367				131,367
Economic development and assistance	400,210				400,210
Debt service:					
Principal	625,414	181,153		1,022,163	1,828,730
Interest	138,785	17,426		235,574	391,785
Total Expenditures	<u>17,882,887</u>	<u>3,205,397</u>	<u>3,623,382</u>	<u>4,087,414</u>	<u>28,799,080</u>
Excess of Revenues over (under) Expenditures	<u>3,549,360</u>	<u>263,225</u>	<u>(6,581)</u>	<u>(964,674)</u>	<u>2,841,330</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	466,637				466,637
Lease principal payments	416,121				416,121
Transfers in	2,383,989			741,733	3,125,722
Transfers out	(741,733)			(2,382,569)	(3,124,302)
Total Other Financing Sources and Uses	<u>2,525,014</u>	<u>-</u>	<u>-</u>	<u>(1,640,836)</u>	<u>884,178</u>
Net Changes in Fund Balances	<u>6,074,374</u>	<u>263,225</u>	<u>(6,581)</u>	<u>(2,605,510)</u>	<u>3,725,508</u>
Fund Balances - Beginning	<u>211,190</u>	<u>1,400,632</u>	<u>640,051</u>	<u>5,729,050</u>	<u>7,980,923</u>
Fund Balances - Ending	<u>\$ 6,285,564</u>	<u>\$ 1,663,857</u>	<u>\$ 633,470</u>	<u>\$ 3,123,540</u>	<u>\$ 11,706,431</u>

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

WASHINGTON COUNTY**Exhibit 4-1****Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2016**

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 3,725,508
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 \$3,270,142, exceeded depreciation of \$1,706,714 in the current period.	1,563,428
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 \$4,618 in the current period.	(4,618)
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.	(30,108)
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 proceeds of \$466,637 was exceeded by debt repayments of \$1,828,730.	1,362,093
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	9,282
Compensated absences	(27,870)
Net amortization on bond premium and discount	1,336
Other postemployment benefits payable	(2,633,541)
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.	(416,121)
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(3,481,829)
Recording of contributions made for the current fiscal year	1,452,267
Change in Net Position of Governmental Activities	<u>\$ 1,519,827</u>

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

WASHINGTON COUNTY
Statement of Net Position – Proprietary Fund
September 30, 2016

Exhibit 5

	Business-type Activities Enterprise Fund WCRCF
ASSETS	
Current assets:	
Cash	\$ 245,959
Investments	2,371,620
Intergovernmental receivables	306,092
Due from other funds	100,975
Inventories	47,252
Total Current Assets	<u>3,071,898</u>
Noncurrent assets:	
Prepaid bond insurance	219,395
Land	28,030
Other capital assets, net	14,597,994
Total Noncurrent Assets	<u>14,845,419</u>
Total Assets	<u>17,917,317</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	923,340
Total Deferred Outflows of Resources	<u>923,340</u>
LIABILITIES	
Current liabilities:	
Claims payable	102,159
Accrued interest payable	188,121
Due to other funds	1,003,974
Advances from other funds	1,833,198
Capital debt:	
Other long-term liabilities	870,000
Total Current Liabilities	<u>3,997,452</u>
Noncurrent liabilities:	
Other postemployment benefits payable	2,245,645
Net pension liability	4,474,554
Capital related debt:	
Other long-term liabilities	16,476,456
Non-capital debt:	
Compensated absences payable	47,849
Total Non-Current Liabilities	<u>23,244,504</u>
Total Liabilities	<u>27,241,956</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	98,906
Total Deferred Inflows of Resources	<u>98,906</u>
NET POSITION	
Net investment in capital assets	(2,720,432)
Unrestricted	(5,779,773)
Total Net Position	<u>\$ (8,500,205)</u>

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

WASHINGTON COUNTY**Exhibit 6****Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund
For the Year Ended September 30, 2016**

	<u>Business-type Activities Enterprise Fund WCRCF</u>
Operating Revenues	
Charges for services	\$ 4,367,009
Total Operating Revenues	<u>4,367,009</u>
Operating Expenses	
Personal services	2,656,838
Contractual services	507,967
Materials and supplies	770,324
Indirect cost allocation	31,119
Depreciation expense	622,725
Pension expense	614,441
Total Operating Expenses	<u>5,203,414</u>
Operating Income (Loss)	<u>(836,405)</u>
Non-operating Revenues (Expense)	
Interest income	121
Interest expense	(774,538)
Other income (expense)	27,938
Net Non-Operating Revenues (Expense)	<u>(746,479)</u>
Change in Net Position	<u>(1,582,884)</u>
Net Position - Beginning	(5,136,419)
Prior period adjustments	(1,780,902)
Net Position - Beginning, as restated	<u>(6,917,321)</u>
Net Position - Ending	<u>\$ (8,500,205)</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, 2016

Exhibit 7

	<u>Business-type</u> <u>Activities</u> <u>Enterprise Fund</u> <u>WCRCF</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 4,337,834
Payments to employees	(2,436,792)
Payments to suppliers	(1,305,716)
Net Cash Provided (Used) by Operating Activities	<u>595,326</u>
Cash Flows From Non-Capital Financing Activities	
Loans from other funds	1,007,609
Other receipts	27,938
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>1,035,547</u>
Cash Flows From Capital and Related Financing Activities	
Accretion of bond discount	9,054
Principal paid on debt	(840,000)
Interest paid on debt	(781,888)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,612,834)</u>
Cash Flows From Investing Activities	
Interest on investments	121
Proceeds from sale and maturities of investments	227,799
Net Cash Provided (Used) by Investing Activities	<u>227,920</u>
Net Increase or Decrease in Cash and Cash Equivalents	<u>245,959</u>
Cash and Cash Equivalents at Beginning of Year	<u>-</u>
Cash and Cash Equivalents at End of Year	<u>\$ 245,959</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (836,405)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	622,725
Pension expense in excess of contributions	358,158
OPEB expense	464,743
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivables	(21,500)
(Increase) decrease in interfund receivables	(43,389)
(Increase) decrease in prepaid bond insurance	14,875
Increase (decrease) in claims payable	24,533
Increase (decrease) in compensated absences liability	11,586
Total Adjustments	<u>1,431,731</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 595,326</u>

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

WASHINGTON COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2016

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 608,970
Due from other funds	10,579
Other receivables	142,264
Total Assets	<u>761,813</u>
LIABILITIES	
Intergovernmental payables	172,147
Advances from other funds	142,264
Other payables	447,402
Total Liabilities	<u>\$ 761,813</u>

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

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

A. Financial Reporting Entity.

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

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

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

B. Individual Component Unit Disclosures.

Discretely Presented Component Unit

The component units' 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.

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.

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 Board of Commissioners, two of which are appointed by the Washington County Board of Supervisors.

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.

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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.

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. 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.

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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

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

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for 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 bridge maintenance.

The County reports the following major Enterprise Fund:

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue 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.

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

E. Account Classifications.

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

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.

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. 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."

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

I. Inventories and Prepaid Items.

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

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

J. Capital Assets.

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

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 Service Life</u>
Land	\$ 0	N/A
Infrastructure	0	20 to 50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5 to 10 years
Furniture and equipment	5,000	3 to 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.

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

K. Deferred Outflows/Inflows of Resources.

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

Deferred outflows related to pensions – This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 11 for additional details.

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

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

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

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

Deferred inflows related to pensions – This amount represents the County's proportionate share of the deferred inflows or resources reported by the pension plan in which the County participates. See Note 11 for additional details.

L. Pensions.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

M. 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.

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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 governmental activities, business-type activities or Proprietary Funds Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

N. 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."

Net Position Flow Assumption – When an expense 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 expenses 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.

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:

Non-spendable 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

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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.

Fund Balance Flow Assumption – When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

O. 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.

P. 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.

Q. 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
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

R. Changes in Accounting Standards.

The County implemented the following standard issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The provisions of these standards have been incorporated into the financial statements and notes.

NOTE 2 - PRIOR PERIOD ADJUSTMENTS.

A summary of significant equity adjustments is as follows:

Exhibit 2 - Statement of Activities.	
Explanation	Amount
To adjust capital lease receivable for default and termination of Brocato Sporting World capital lease receivable	\$ (327,387)
To record OPEB liability due to implementation of GASB 45	(11,782,539)
Total prior period adjustments	<u>\$ (12,109,926)</u>

Exhibit 6 - Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds.	
Explanation	Amount
To record OPEB liability due to implementation of GASB 45	\$ (1,780,902)
Total prior period adjustments	<u>\$ (1,780,902)</u>

NOTE 3 - DEPOSITS AND INVESTMENTS.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2016, was \$10,963,594 and the bank balance was \$12,066,850. 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. 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). 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.

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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, 2016, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
U.S. Treasury	Less than one year	\$ 2,371,620	N/A

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

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

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

NOTE 4 - INTER-FUND TRANSACTIONS AND BALANCES.

The following is a summary of inter-fund balances at September 30, 2016:

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	\$ 993,395
Highway Maintenance Fund	General Fund	175,086
Bridge and Culvert Fund	General Fund	208,808
Other Governmental Funds	General Fund	62,695
Enterprise Fund	General Fund	100,975
Agency	Enterprise Fund	10,579
Total		<u>\$ 1,551,538</u>

Receivables between: the general fund and enterprise fund are due to prisoner housing (100,975), operating cash (962,276) and indirect cost allocation (31,119); the agency fund and enterprise fund are amounts due to the inmate welfare fund (10,579). All other receivables represent the tax revenue collected but not settled until October 2016. All inter-fund balances are expected to be repaid within one year from the date of the financial statements.

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

B. Advances from/to Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	\$ 1,833,198
General Fund	Agency	142,264
Total		<u>\$ 1,975,462</u>

The General Fund receivable of \$142,264 is the amount owed in settlement of a prior years' theft. This amount has not been paid in several years. The advance of \$1,833,198 is comprised of: indirect cost allocations (\$77,368) and operating cash (\$1,755,830) made in prior years that have not been paid.

C. Transfers In/Out

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 2,382,569
General Fund	Agency	1,420
Other Governmental Funds	General Fund	741,733
Total		<u>\$ 3,125,722</u>

The transfers primarily represent the elimination of negative cash balances and transfer of residual cash balances of funds that are no longer active.

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES.

Intergovernmental receivables at September 30, 2016, consisted of the following:

Governmental Activities	
<u>Description</u>	<u>Amount</u>
State Legislative Tax Credit	\$ 231,505
City of Leland	72,000
Warfield Point Park Trail Grant	81,133
Youth Court Grant	10,777
VOCA/VAWA Grant	39,183
Total Governmental Activities	<u>\$ 434,598</u>
Business-Type Activities	
<u>Description</u>	<u>Amount</u>
MS Department of Corrections	\$ 214,842
City of Greenville	69,750
Nurse Reimbursement Contract	21,500
Total Business-Type Activities	<u>\$ 306,092</u>

NOTE 6 - OTHER RECEIVABLE.

The other receivable of \$256,202 represents amounts due from the tax collector (\$47,267), MARS warehouse rent (\$77,250), and agency funds (\$131,685).

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 7 - CAPITAL ASSETS.

The following is a summary of capital assets for the year ended September 30, 2016:

Governmental activities:	Balance				Balance
	Oct. 1, 2015	Additions	Deletions	Adjustments	Sept. 30, 2016
Non-depreciable capital assets:					
Land	\$ 4,704,445				\$ 4,704,445
Construction in progress	268,014	2,064,560			2,332,574
Total non-depreciable capital assets	4,972,459	2,064,560	-	-	7,037,019
Depreciable capital assets:					
Infrastructure	119,471,664	649,625			120,121,289
Buildings	20,976,024				20,976,024
Improvements other than buildings	825,921				825,921
Mobile equipment	8,453,350	84,025	46,174	137,900	8,629,101
Furniture and equipment	4,210,069	5,295			4,215,364
Leased property under capital leases	2,155,050	466,637		(137,900)	2,483,787
Total depreciable capital assets	156,092,078	1,205,582	46,174	-	157,251,486
Less accumulated depreciation for:					
Infrastructure	78,346,138	470,123			78,816,261
Buildings	8,021,851	333,139			8,354,990
Improvements other than buildings	132,152	33,038			165,190
Mobile equipment	6,305,528	536,097	41,556	62,055	6,862,124
Furniture and equipment	3,410,586	40,887			3,451,473
Leased property under capital leases	497,003	293,430		(62,055)	728,378
Total accumulated depreciation	96,713,258	1,706,714	41,556	-	98,378,416
Total depreciable capital assets, net	59,378,820	(501,132)	4,618	-	58,873,070
Governmental activities capital assets, net	\$ 64,351,279	1,563,428	4,618	-	\$ 65,910,089

Adjustments are due to reclassification of assets.

Business-type activities:	Balance				Balance
	Oct. 1, 2015	Additions	Deletions	Adjustments	Sept. 30, 2016
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	1,214,512	303,628			1,518,140
Improvements other than buildings	18,088	4,522			22,610
Furniture and equipment	1,296,826	314,575			1,611,401
Total accumulated depreciation	2,529,426	622,725	-	-	3,152,151
Total depreciable capital assets, net	15,220,719	(622,725)	-	-	14,597,994
Business-type activities capital assets, net	\$ 15,248,749	(622,725)	-	-	\$ 14,626,024

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

Depreciation expense was charged to the following functions:

Governmental Activities:	Amount
General government	\$ 504,179
Public safety	282,208
Public works	917,253
Culture and recreation	3,074
Total governmental activities depreciation expense	<u>\$ 1,706,714</u>
Business-type Activities:	
Public safety	\$ 622,725
Total business-type activities depreciation expense	<u>\$ 622,725</u>

Commitments with respect to unfinished capital projects at September 30, 2016, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Governmental activities:		
Sportsplex Recreational Park	\$ 2,270,080	10-2017

CAPITAL ASSETS – COMPONENT UNITS

Delta Regional Medical Center	Balance				Balance
	Oct. 1, 2015	Additions	Deletions	Adjustments	Sept. 30, 2016
Non-depreciable capital assets:					
Land	\$ 3,531,832				\$ 3,531,832
Land under capital lease	1,145,500				1,145,500
Construction in progress	208,357	1,461,232	469,967		1,199,622
Total non-depreciated capital assets	<u>4,885,689</u>	<u>1,461,232</u>	<u>469,967</u>	<u>-</u>	<u>5,876,954</u>
Depreciable capital assets:					
Land improvements	860,754				860,754
Buildings	42,457,743	127,283	10,000		42,575,026
Fixed equipment	20,855,266				20,855,266
Equipment	55,221,004	4,262,108	56,787		59,426,325
Total depreciable capital assets	<u>119,394,767</u>	<u>4,389,391</u>	<u>66,787</u>	<u>-</u>	<u>123,717,371</u>
Less accumulated depreciation for:					
Land improvements	691,613	25,311			716,924
Buildings	24,814,853	1,620,135	3,683		26,431,305
Fixed equipment	12,191,837	2,232,624			14,424,461
Equipment	47,046,604	2,537,991	34,709		49,549,886
Total accumulated depreciation	<u>84,744,907</u>	<u>6,416,061</u>	<u>38,392</u>	<u>-</u>	<u>91,122,576</u>
Total depreciable capital assets, net	<u>34,649,860</u>	<u>(2,026,670)</u>	<u>28,395</u>	<u>-</u>	<u>32,594,795</u>
Total capital assets, net	<u>\$ 39,535,549</u>	<u>(565,438)</u>	<u>498,362</u>	<u>-</u>	<u>\$ 38,471,749</u>

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

Greenville Port Commission	Balance				Balance
	Oct. 1, 2015	Additions	Deletions	Adjustments	Sept. 30, 2016
Non-depreciable capital assets:					
Land	\$ -	5,000			\$ 5,000
Total non-depreciated capital assets	-	5,000	-	-	5,000
Depreciable capital assets:					
Building facilities	823,460				823,460
Improvements other than buildings	1,939,186				1,939,186
Machinery and equipment	9,319,950				9,319,950
Office furniture and fixtures	49,008				49,008
Total depreciable capital assets	12,131,604	-	-	-	12,131,604
Less accumulated depreciation for:					
Building facilities	158,719	22,178			180,897
Improvements other than buildings	683,855	100,076			783,931
Machinery and equipment	3,886,079	424,595			4,310,674
Office furniture and fixtures	40,395	2,871			43,266
Total accumulated depreciation	4,769,048	549,720	-	-	5,318,768
Total depreciable capital assets, net	7,362,556	(549,720)	-	-	6,812,836
Total capital assets, net	\$ 7,362,556	(544,720)	-	-	\$ 6,817,836

Washington County Library System	Balance				Balance
	Oct. 1, 2015	Additions	Deletions	Adjustments	Sept. 30, 2016
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	542,434	793			543,227
Total depreciable capital assets	942,947	793	-	-	943,740
Less: accumulated depreciation	(765,240)	(25,971)	-	-	(791,211)
Total capital assets, net	\$ 177,707	(25,178)	-	-	\$ 152,529

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, 2016, to January 1, 2017. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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).

The following table provides changes in the balances of claims liabilities for fiscal years 2015 and 2016:

	2015	2016
Unpaid Claims, Beginning of Fiscal Year	\$ 546,652	\$ 769,345
Plus: Incurred Claims (Including IBNRs)	6,693,947	3,769,217
Less: Claims payments	6,471,254	4,080,225
Unpaid Claims, End of Fiscal Year	<u>\$ 769,345</u>	<u>\$ 458,337</u>

NOTE 9 - CAPITAL LEASES.

As Lessor:

On October 23, 2009, the County entered into a capital lease agreement with the MARS Corporation for the lease of a warehouse owned by the County. The capital lease stipulated that the lessee would pay approximately \$38,625 per month in lease payments commencing October 23, 2009 for a term of 10 years. At the end of the term, the lessee has the option to return the property or continue leasing an additional 10 year term.

The County leases the following property with varying terms and options as of September 30, 2016:

Class of Property	Amount
Buildings:	
MARS - Warehouse	\$ 5,894,901
Less: Accumulated depreciation	707,394
Total	<u>\$ 5,187,507</u>

The future minimum lease receivable and the present value of the net minimum lease receivable as of September 30, 2016, are as follows:

Year Ending September 30,	Principal	Interest
2017	\$ 428,777	\$ 34,723
2018	441,819	21,681
2019	455,257	8,243
2020	27,031	67
Total	<u>\$ 1,352,884</u>	<u>\$ 64,714</u>

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2016:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,454,787
Siemens energy project	1,029,000
Total	2,483,787
Less: Accumulated depreciation	728,378
Leased Property Under Capital Leases	<u><u>\$ 1,755,409</u></u>

The following is a schedule by years of the total payments due as of September 30, 2016:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 344,180	\$ 39,379
2018	332,938	32,079
2019	317,704	24,832
2020	195,635	19,070
2021	115,768	15,293
2022-2026	405,404	45,061
2027-2028	132,143	2,999
Total	<u><u>\$ 1,843,772</u></u>	<u><u>\$ 178,713</u></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. Effective October 1, 2015, the County implemented GASB Statement 45, which requires reporting, on an accrual basis, the liability associated with other postemployment benefits. The County does not issue a publicly available financial report for the Plan.

Funding Policy

Employees' premiums are funded by the County with additional funding provided by retired employees and by active employees for spouse and dependent medical coverage. The Plan is financed on a pay-as-

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

you-go basis. The Board of Supervisors, acting in conjunction with the commercial insurance company, has the sole authority for setting health insurance premiums for the County's health insurance plan.

Per Section 25-15-103, Mississippi Code Ann. (1972), any retired employee electing to purchase retiree health insurance must pay the full cost of the insurance premium monthly to the County. For the year ended September 30, 2016, retiree premiums range from \$211 to \$563 depending on dependent coverage and Medicare eligibility.

Actuarial Valuation

The County's Health Insurance Plan's Report of the Actuary on the Other Postemployment Benefits Valuation was prepared as of October 1, 2016. The plan presently has an actuarial valuation performed bi-annually, in order to be in compliance with GASB Statement 45.

Annual OPEB Cost and Net OPEB Obligation

The county's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC is determined assuming the plan would fund the OPEB liability on a pay-as-you-go basis. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC of \$3,380,796 is 33.30 percent of annual covered payroll.

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2016:

Annual required contribution	\$	3,380,796
Interest on prior year net OPEB obligation		546,855
Adjustment to annual required contribution		-563,953
Annual OPEB cost		3,363,698
Contributions made		-265,414
Increase in net OPEB obligation		3,098,284
Net OPEB obligation – beginning of year		13,563,441
Net OPEB obligation – end of year	\$	16,661,725

The following table provides the county's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year 2016:

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB obligation
2016	\$3,363,698	7.89%	\$16,661,725

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

Funding Status and Funding Progress

The following table provides funding information for the most recent actuarial valuation date:

Actuarial Valuation Date		October 1, 2016
Actuarial Value of Plan Assets		\$-0-
Actuarial Accrued Liability (AAL) Entry Age Normal		\$23,579,254
Unfunded AAL (UAAL)		\$23,579,254
Funded Ratio		-0-%
Annual Covered Payroll		\$10,153,052
UAAL as a Percentage of Annual Covered Payroll		232.24%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date		October 1, 2016
Actuarial cost method		Entry Age
Amortization method		30 Year Level Percentage of Pay
Remaining amortization period		Twenty-nine Years
Asset valuation method		None Assumed
Actuarial assumptions:		
Investment rate of return		4.0%
Projected salary increases		3% per annum
Healthcare cost trend rate		8% graded down to 5% over 6 years
Ultimate trend rate		5%
Year of ultimate trend rate		2045

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLAN.

General Information about the 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 39201-1005 or by calling 1-800-444-PERS.

Benefit Provided. Membership in PERS is a condition of employment granted upon hiring for qualified employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Membership, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility granted to those who qualify upon hiring. Participating members who are vested and retire at or after age of 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before January 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of the average compensation for each year of creditable service up to and including 30 years (25 years for those became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service for 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2016, PERS members are required to contribute 9% of their annual covered salary, and the County is required to contribute an actuarially determined rate. The employer's rate at September 30, 2016 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2016, 2015 and 2014 were \$1,708,550, \$1,694,754, and \$1,631,355 respectively, equal to the required contributions for each year.

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2016, the County reported a liability of \$29,830,369 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2016, the County's proportion was 0.167 percent, which was .0050 percent less than its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the County recognized pension expense of \$4,096,270. At September 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 750,847	
Net difference between projected and actual earnings on investments	3,523,976	
Changes of assumptions	1,448,371	\$ 79,268
Changes in the proportion and differences between County contributions and proportionate share contributions		580,102
County Contributions subsequent to the measurement date	432,411	
	<u>\$ 6,155,605</u>	<u>\$ 659,370</u>

The \$432,411 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Outflows/Deferred Inflow Aging:	
Year ending September 30:	Amount
2017	\$ 1,901,133
2018	1,625,198
2019	948,188
2020	589,305
Total	<u>\$ 5,063,824</u>

Actuarial Assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions. Applied to all periods in the measurement:

Inflation percentage	3.00%
Salary increases, including inflation	3.75% - 19.00%
Investment rate of return	
net of pension plan investment expense, including inflation	7.75%

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with male rates set forward one year.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rate of return for each major asset class as of June 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34.00%	5.20%
International Equity	19.00%	5.00%
Emerging Markets Equity	8.00%	5.45%
Fixed Income	20.00%	0.25%
Real Assets	10.00%	4.00%
Private Equity	8.00%	6.15%
Cash	1.00%	-0.50%
	100.00%	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate of (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease 6.75%	Discount Rate 7.75%	1% Increase 8.75%
Entity's Pension Liability	\$ 38,249,222	\$ 29,830,369	\$ 22,845,451

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
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DEFINED BENEFIT PENSION PLAN - COMPONENT UNITS

Greenville Port Commission

Plan Description. The Greenville Port Commission contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan.

Contributions. The Port Commission contributions (employer share only) to PERS for the years ending September 30, 2016, 2015 and 2014 were \$74,814, \$79,665 and \$78,532 respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2016 the Port Commission reported a liability of \$1,250,376 for its proportionate share of the net pension liability. At June 30, 2016, the Port's proportion was 0.007 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the Port Commission recognized pension expense of \$113,362. At September 30, 2016, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,875	
Net difference between projected and actual earnings on investments	84,708	
Changes of assumptions	58,945	\$ 3,322
Changes in the proportion and differences between Port's contributions and proportionate share contributions		99,388
Port Commission Contributions subsequent to the measurement date	20,427	
	<u>\$ 198,955</u>	<u>\$ 102,710</u>

The \$20,427 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:	Amount
2017	\$ 15,674
2018	10,797
2019	24,644
2020	24,703
Total	<u>\$ 75,818</u>

Sensitivity to the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

	1% Decrease 6.75%	Discount Rate 7.75%	1% Increase 8.75%
Port Commission's proportionate share of the net pension liability	\$ 1,603,261	\$ 1,250,376	\$ 957,594

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
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Washington County Library

Plan Description. The Washington County Library System contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan.

Contributions. The System's contributions (employer share only) to PERS for the years ending September 30, 2016, 2015 and 2014 were \$66,047, \$68,685 and \$72,558, respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2016 the System reported a liability of \$1,178,924 for its proportionate share of the net pension liability. At June 30, 2016, the System's proportion was 0.0066 percent, which was a decrease of 0.0005 percent from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the System recognized pension expense of \$141,183. At September 30, 2016, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,128	
Net difference between projected and actual earnings on pension plan investments	141,323	
Changes of assumptions	59,787	3,133
Changes in the proportion and differences between actual contributions and proportionate share of contributions		72,843
Contributions subsequent to the measurement date	16,423	
	<u>\$ 247,661</u>	<u>75,976</u>

The \$16,423 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:	Amount
2017	\$ 54,429
2018	45,782
2019	31,761
2020	23,290
Total	<u>\$ 155,262</u>

Sensitivity to the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Library's proportionate share of the net pension liability	\$ 1,511,646	\$ 1,178,924	\$ 902,874

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

Delta Regional Medical Center

The Medical Center pension plan (the "Plan") is a single-employer noncontributory defined benefit pension plan covering all covered employees as defined by the Plan. The Medical Center elected to freeze the Plan to new entrants as of June 30, 2009. Information about the plan follows:

Plan Description. The Plan is a single-employer noncontributory defined benefit retirement pension plan, administered by the Director of the Medical Center's Department of Human Resources. The Plan provides retirement, disability and death benefits to Plan members and beneficiaries. Benefit provisions are established by the Hospital's Board of Trustees. The Plan issues a financial report, available for all participants, that includes financial statements and required supplementary information. That information may be obtained by writing to Chief Financial Officer, Delta Regional Medical Center, 1400 East Union Street, Greenville, Mississippi 38704.

Benefits Provided. For the Plan participating members who are vested and retire at or after age 65 or those who retire at age 55 with at least 5 years of creditable service are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 1.10 percent of their average monthly earnings. Average compensation is the average of the employee's earnings for the highest 60 consecutive calendar months preceding retirement or termination, limited as required by internal revenue code section 401(a)(17). A member may elect a reduced retirement benefit at age 55 with at least 5 years of consecutive service. Benefits vest upon completion of 5 years of continuous service. The Plan also provides certain death and disability benefits.

Prior to the adoption of the Provisions of GASB Statement No. 68 in 2015, contributions to the pension plans were actuarially determined and approximated annual pension expense.

Summary of Participant Data

<u>Data as of July 1, 2015:</u>	<u>Number of</u>
Inactive employees or beneficiaries currently receiving benefits	242
Inactive employees entitled to but not yet receiving benefits	482
Active Employees	396
Total	<u>1,120</u>

Funding Policy. Although a formal funding policy has not been established, the Medical Center contributes amounts necessary to fund the Plan at an actuarially determined rate. The current actuarially required minimum rate is 3.5 percent of annual covered payroll.

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

Long-term Expected Rate of Return

The long-term expected rate of return and actual allocation as of June 30, 2016 is as follows:

Asset Class	Index	Actual Allocation	Long-term Expected Arithmetic Real Rate of Return
US Cash	BAM 3-Mon T-Bill	7.02%	0.82%
US Core Fixed Income	Barclays Aggregate	47.42%	2.69%
US Large Caps	S&P 500	37.41%	5.11%
Global Equity	MSCI ACWI NR	7.62%	5.66%
US REITs	FTSE NAREIT Equity REIT	0.53%	5.22%
Long-term Expected Rate of Return			6.50%

Discount Rate. The discount rate used to measure the total pension liability at September 30, 2016 was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the current contribution rate and that contributions from the Medical Center will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to always be sufficient to cover benefit payments and administrative expense. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Actuarial Assumptions. The total pension liability in the September 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Net investment yield	6.50 percent
Inflation	3.00 percent
Salary increases including inflation	5.00 percent

Mortality rates were based on the RP-2000 Mortality Table projected with generational projection per Scale AA.

The Plan has not had a formal actuarial experience study preformed.

The long term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation

Net Pension Liability. The total net pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. There have been no significant changes between the valuation date and fiscal year end. Any significant changes during this period must be reflected as prescribed by GASB 67 and GASB 68.

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

Changes in Net Pension Liability

Changes in the net pension liability for the year ended September 30, 2016 were as follows:

	Total Pension Liability (a)	Increase(Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance as of June 30, 2015	\$ 24,860,629	\$ 15,855,179	\$ 9,005,450
Changes for the year:			
Service Cost	441,695	-	441,695
Interest on total pension liability	1,598,830	-	1,598,830
Effect on plan changes	-	-	-
Effect on economic/demographic gains or losses	(194,015)	-	(194,015)
Effect on assumptions, changes or inputs	-	-	-
Benefit payments	(1,038,177)	(1,038,177)	-
Employer contributions	-	1,338,128	(1,338,128)
Member contributions	-	-	-
Net investment income	-	752,788	(752,788)
Administrative expenses	-	(27,241)	27,241
Balance as of June 30, 2016	<u>\$ 25,668,962</u>	<u>\$ 16,880,677</u>	<u>\$ 8,788,285</u>

Sensitivity Analysis. The following presents the net position liability of the Medical Center as of September 30, 2016 calculated using the discount rate of 6.50 percent, as well as what the Medical Center's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.50 percent) or 1 percentage point higher (7.50%) than the current rate.

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net pension liability	\$ 11,990,679	\$ 8,788,285	\$ 6,328,404

Pension Expense and Deferred Outflows/Inflows of Resources. For the year ended September 30, 2016, the Medical Center recognized pension expense of \$1,066,065. At September 30, 2016, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 576,423	
Pension contributions subsequent to measurement date	250,000	
Differences between expected and actual experience		\$ 114,344
Total	<u>\$ 826,423</u>	<u>\$ 114,344</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2017	\$ 60,662
2018	171,072
2019	173,039
2020	57,306
Total	<u>\$ 462,079</u>

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

Amortization Period. Investment gains or losses are amortized over 5 years. Changes in actuarial assumptions and experience gains or losses are amortized over the average working lifetime of all participants, which for the current period is 2.0 years.

NOTE 12 - LONG TERM DEBT.

Debt outstanding as of September 30, 2016, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<u>Governmental Activities:</u>			
A. General Obligation Bonds:			
GO Industrial Development Refunding Bonds, Series 2011	\$ 525,000	1.50/3.75	05-19
GO Road and Bridge Refunding Bonds, Series 2011	825,000	2.0/3.0	07-22
GO Bonds, Series 2011	2,380,000	2.5/3.5	12-26
GO Recreational Facilities Bonds, Series 2013	2,700,000	3.625	09-28
Total General Obligation Bonds	<u>\$ 6,430,000</u>		
B. Capital Leases:			
1 1500 Dodge Ram	\$ 11,368	2.29	05-19
1 1500 Dodge Ram	11,931	2.12	05-19
15 Sheriff Vehicles	414,649	2.07	03-21
2 1500 Dodge Rams	23,865	2.12	05-19
2 Traverse Vehicles (BOS)	29,604	2.12	01-19
IBM Computer 8202/E4C	18,404	2.31	04-17
15 Sheriff Vehicles	262,417	2.069	08-19
Suntrust energy savings project	894,033	2.03	03-28
2015 Excavator	177,501	2.58	03-20
Total Capital Leases	<u>\$ 1,843,772</u>		
C. Other Loans:			
Port Fund - (CAP Loan)	\$ 73,416	5.18	09-17
U S Corp of Engineers Note	82,000	2.43	04-18
Negotiable Note, Series 2012	314,000	1.55	06-17
Warehouse Project - (CAP Loan)	2,120,053	3.00	05-22
2 Dump Trucks	355,943	1.78	12-16
2 Garbage Trucks	235,402	2.07	12/19
Total Other Loans	<u>\$ 3,180,814</u>		
<u>Business-type Activities:</u>			
A. Limited Obligation Bonds:			
Mississippi Urban Renewal Revenue Bonds - Series 2009	\$ 17,480,000	3.00/4.75	09-31
Total Limited Obligation Bonds	<u>\$ 17,480,000</u>		

Pledge of Future Revenues – The County has pledged future revenues for housing inmates, net of specified operating expenses, to repay \$21,435,000 in limited obligation urban renewal revenue bonds issued in Washington County, Mississippi. Proceeds from the bonds provided financing for the construction of the Washington County Regional Correctional Facility. The bonds are not a general obligation of the County

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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 38 percent of net revenues. The total principal and interest to be paid on the bonds is \$24,349,917. Principal and interest paid for the current year and total inmate housing revenues were \$1,621,888 and \$4,367,009 respectfully.

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

Governmental Activities:	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
<u>Year Ending September 30,</u>				
2017	\$ 580,000	\$ 203,606	\$ 1,201,110	\$ 73,938
2018	600,000	187,544	546,179	51,523
2019	625,000	169,594	485,776	35,774
2020	460,000	149,969	439,945	22,177
2021	475,000	136,238	434,170	9,297
2022-2026	2,070,000	474,963	73,634	276
2027-2028	1,620,000	96,713		
Total	<u>\$ 6,430,000</u>	<u>\$ 1,418,627</u>	<u>\$ 3,180,814</u>	<u>\$ 192,985</u>
Business-type Activities:	Limited Obligation Bonds			
	Principal	Interest		
<u>Year Ending September 30,</u>				
2017	\$ 870,000	\$ 752,488		
2018	900,000	722,038		
2019	935,000	688,288		
2020	970,000	653,225		
2021	1,010,000	614,425		
2022-2026	5,705,000	2,411,088		
2027-2031	7,090,000	1,028,365		
Total	<u>\$ 17,480,000</u>	<u>\$ 6,869,917</u>		

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever counties issue bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2016, the amount of outstanding debt was equal to 2.76% of the latest property assessments.

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2016:

	Balance Oct. 1, 2015	Additions	Reductions	Adjustments	Balance Sept. 30, 2016	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 327,224	27,870			\$ 355,094	
General obligation bonds	6,995,000		565,000		6,430,000	\$ 580,000
Less: Discount	(1,227)		(307)		(920)	
Add: Premiums	11,093		1,644		9,449	
Capital leases	1,695,135	466,637	318,000		1,843,772	344,180
Other loans	4,126,544		945,730		3,180,814	1,201,110
Total	<u>\$ 13,153,769</u>	<u>494,507</u>	<u>1,830,067</u>	<u>-</u>	<u>\$ 11,818,209</u>	<u>\$ 2,125,290</u>
Business-type Activities:						
Compensated absences	\$ 36,263	11,586			47,849	
Limited obligation bonds	18,320,000		840,000		17,480,000	\$ 870,000
Less: Discount	(142,599)		(9,055)		(133,544)	
Total	<u>\$ 18,213,664</u>	<u>11,586</u>	<u>830,945</u>	<u>-</u>	<u>\$ 17,394,305</u>	<u>\$ 870,000</u>

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

LONG TERM DEBT - COMPONENT UNITS

Delta Regional Medical Center

A summary of long-term debt, including capital lease obligations at September 30, 2016 is as follows:

<u>Description and Purpose</u>	Amount Outstanding	Interest Rate	Final Maturity Date
FHA - Insured Mortgage Revenue Bonds, Series 2007	\$ 28,695,000	4.70/6.25	08-33
Capital lease obligation	1,001,543	7.00	07-30
	<u>29,696,543</u>		
Less current portion of long-term debt	(1,049,830)		
Plus unamortized bond premium	1,126,699		
Long-term debt, excluding current portion	<u>\$ 29,773,412</u>		

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

<u>Year Ending September 30,</u>	<u>Long-Term Debt</u>		<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,015,000	1,436,913	34,830	\$ 68,995
2018	1,065,000	1,385,537	37,339	66,478
2019	1,125,000	1,331,537	40,038	63,779
2020	1,180,000	1,274,538	44,668	60,881
2021	1,245,000	1,214,788	56,882	57,317
2022-2026	7,285,000	5,026,350	366,189	218,122
2027-2031	9,435,000	2,932,875	421,597	60,360
2032-2033	6,345,000	469,750		
	<u>\$ 28,695,000</u>	<u>15,072,288</u>	<u>1,001,543</u>	<u>\$ 595,932</u>

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2016:

	Balance Oct. 1, 2015	Additions	Reductions	Adjustments	Balance Sept. 30, 2016	Amount due within one year
Bonds payable						
Washington County FHA-insured						
Revenue Bond, Series 2007	\$ 29,660,000		965,000		28,695,000	\$ 1,015,000
Capital lease obligations	1,031,402		29,859		1,001,543	34,830
Total	\$ 30,691,402	-	994,859	-	29,696,543	\$ 1,049,830

Greenville Port Commission

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2016:

	Balance Oct. 1, 2015	Additions	Reductions	Adjustments	Balance Sept. 30, 2016
Compensated absences	\$ 34,463	2,168			\$ 36,631
Total	\$ 34,463	2,168	-	-	\$ 36,631

NOTE 13 - DEFICIT FUND BALANCES OF INDIVIDUAL FUNDS.

The following funds reported deficits in fund balances at September 30, 2016:

Fund	Deficit Amount
Waste tire grant fund	\$ 3,000
2012 SERIES \$1525M 5 YR NOTES	10,333
Garbage Collection Fund	53,988
Youth Drug Court 2016 Fund	9,035
MS Tobacco Fund	10,986
Triad Program Fund	316
ATV Trail Grant Fund	2,159
Negotiable Note - Warfield Park	\$ 18,234

NOTE 14 - CONTINGENCIES.

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

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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 15 - 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:

<u>Description</u>	<u>Balance at</u> <u>Sept. 30, 2016</u>
Industrial revenue bonds	\$ 9,935,000
Urban renewal notes	12,500,000
Total	<u>\$ 22,435,000</u>

NOTE 16 - EFFECT OF DEFERRED AMOUNTS ON NET POSITION.

The governmental activities' unrestricted net position deficit amount of \$(28,226,507) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$367,550 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. The \$4,864,715 balance of the deferred outflow of resources related to pensions at September 30, 2016, will be recognized in pension expense over the next 4 years. The \$560,464 balance of the deferred inflow of resources related to pension at September 30, 2016, will be recognized in pension expense over the next 3 years.

The governmental activities' unrestricted net position deficit amount of \$(28,226,507) includes the effect of recognition of deferring the recognition of revenue resulting from capital leases receivable. The \$64,714 balance of deferred inflows of resources at September 30, 2016, will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The business-type activities' unrestricted net position deficit amount of \$(5,779,773) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$64,861 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. The \$858,479 balance of the deferred outflow of resources related to pensions at September 30, 2016, will be recognized in pension expense over the next 4 years. The \$98,906 balance of the deferred inflow of resources related to pension at September 30, 2016, will be recognized in pension expense over the next 3 years.

WASHINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 17 -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 2016.

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 \$240,482 to the entity in fiscal year 2016.

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 \$24,000 to the organization in the fiscal year 2016.

NOTE 18 - SUBSEQUENT EVENTS.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Washington County evaluated the activity of the County through July 25, 2017 (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, 2016, Washington County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
03/20/2017	2.29%	\$ 400,000	Lease Purchase	Advalorem taxes

WASHINGTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON COUNTY
BUDGETARY COMPARISON SCHEDULE- BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 15,811,629	17,031,070	17,031,070	\$ -
Licenses, commissions and other revenue	659,700	964,899	964,899	-
Fines and forfeitures	245,000	318,241	318,241	-
Charges for services	105,000	101,040	101,040	-
Intergovernmental revenues	1,847,850	3,051,598	3,051,598	-
Interest income	60,000	361	361	-
Miscellaneous revenues	850,000	762,774	762,774	-
Total Revenues	<u>19,579,179</u>	<u>22,229,983</u>	<u>22,229,983</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	12,446,536	10,395,399	10,395,399	-
Public safety	6,162,205	5,440,805	5,440,805	-
Public works	129,331	44,536	44,536	-
Health and welfare	796,792	764,403	764,403	-
Culture and recreation	456,719	380,893	380,893	-
Conservation of natural resources	102,671	134,632	134,632	-
Economic development and assistance	355,529	458,373	458,373	-
Debt Service		608,779	608,779	-
Total Expenditures	<u>20,449,783</u>	<u>18,227,820</u>	<u>18,227,820</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(870,604)</u>	<u>4,002,163</u>	<u>4,002,163</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Lease principal payments	463,500	443,918	443,918	-
Sources	156,888	1,361,422	1,361,422	-
Uses		(5,072,284)	(5,072,284)	-
Total Other Financing Sources and Uses	<u>620,388</u>	<u>(3,266,944)</u>	<u>(3,266,944)</u>	<u>-</u>
Net Change in Fund Balance	(250,216)	735,219	735,219	-
Fund Balance - Beginning	<u>(6,681,742)</u>	<u>1,066,756</u>	<u>1,066,756</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (6,931,958)</u>	<u>1,801,975</u>	<u>1,801,975</u>	<u>\$ -</u>

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

WASHINGTON COUNTY
BUDGETARY COMPARISON SCHEDULE- BUDGET AND ACTUAL (NON-GAAP BASIS)
HIGHWAY MAINTENANCE FUND
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 104,797	259,721	259,721	\$ -
Intergovernmental revenues	760,000	1,161,258	1,161,258	-
Interest income	-	-	-	-
Miscellaneous revenues	9,465	84,636	84,636	-
Total Revenues	874,262	1,505,615	1,505,615	-
EXPENDITURES				
Public works	1,197,622	1,172,309	1,172,309	-
Debt service	179,175	201,089	201,089	-
Total Expenditures	1,376,797	1,373,398	1,373,398	-
Excess of Revenues over (under) Expenditures	(502,535)	132,217	132,217	-
OTHER FINANCING SOURCES (USES)				
Sources	-	-	-	-
Uses	-	-	-	-
Total Other Financing Sources and Uses	-	-	-	-
Net Change in Fund Balance	(502,535)	132,217	132,217	-
Fund Balance - Beginning	(1,257,090)	1,439,532	1,439,532	-
Fund Balance - Ending	<u>\$ (1,759,625)</u>	<u>1,571,749</u>	<u>1,571,749</u>	<u>\$ -</u>

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

WASHINGTON COUNTY
BUDGETARY COMPARISON SCHEDULE- BUDGET AND ACTUAL (NON-GAAP BASIS)
BRIDGE & CULVERT FUND
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,515,417	3,606,792	3,606,792	\$ -
Intergovernmental revenues		6,411	6,411	-
Interest income		-	-	-
Total Revenues	<u>3,515,417</u>	<u>3,613,203</u>	<u>3,613,203</u>	<u>-</u>
 EXPENDITURES				
Public works	<u>3,890,417</u>	<u>3,566,670</u>	<u>3,566,670</u>	<u>-</u>
Total Expenditures	<u>3,890,417</u>	<u>3,566,670</u>	<u>3,566,670</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(375,000)</u>	<u>46,533</u>	<u>46,533</u>	<u>-</u>
 OTHER FINANCING SOURCES (USES)				
Sources	-	-	-	-
Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(375,000)	46,533	46,533	-
Fund Balance - Beginning	<u>44,200</u>	<u>488,734</u>	<u>488,734</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (330,800)</u>	<u>535,267</u>	<u>535,267</u>	<u>\$ -</u>

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

WASHINGTON COUNTY
SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS
September 30, 2016

Plan Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (ACR) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2015-2016	\$-0-	\$23,579,254	\$23,579,254	0.0%	\$10,153,052	232.24%

WASHINGTON COUNTY
SCHEDULE OF THE COUNTY'S AND COMPONENT UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*
For the Year Ended September 30, 2016

	2016	2015
WASHINGTON COUNTY		
County's proportion of the net pension liability (asset)	0.167%	0.172%
County's proportionate share of the net pension liability (asset)	\$ 29,830,369	\$ 26,587,808
County's covered-employee payroll	\$ 10,675,319	\$ 10,716,121
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	279.43%	248.11%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%
COMPONENT UNIT - GREENVILLE PORT COMMISSION		
Commission's proportion of the net pension liability (asset)	0.007%	0.008%
Commission's proportionate share of the net pension liability (asset)	\$ 1,250,376	\$ 1,236,642
Commission's covered-employee payroll	\$ 460,990	\$ 498,616
Commission's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	271.24%	248.01%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%
COMPONENT UNIT - WASHINGTON COUNTY LIBRARY		
Library's proportion of the net pension liability (asset)	0.0066%	0.0071%
Library's proportionate share of the net pension liability (asset)	\$ 1,178,924	\$ 1,097,520
Library's covered-employee payroll	\$ 424,174	\$ 442,174
Library's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	277.93%	248.21%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 prior to the fiscal for years presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the County and Components have only presented information for the years in which information is available.

WASHINGTON COUNTY
SCHEDULE OF THE COUNTY'S AND COMPONENT UNIT'S CONTRIBUTIONS
LAST 10 FISCAL YEARS*
For the Year Ended September 30, 2016

	2016	2015
WASHINGTON COUNTY		
Contractually required contribution	\$ 1,708,550	\$ 1,694,754
Contributions in relation to the contractually required contribution	<u>1,708,550</u>	<u>1,694,754</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 10,847,934	\$ 10,760,346
Contributions as a percentage of covered-employee payroll	15.75%	15.75%
COMPONENT UNIT - GREENVILLE PORT COMMISSION		
Contractually required contribution	\$ 74,814	\$ 79,665
Contributions in relation to the contractually required contribution	<u>74,814</u>	<u>79,665</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
Commission's covered-employee payroll	\$ 475,010	\$ 505,810
Contributions as a percentage of covered-employee payroll	15.75%	15.75%
COMPONENT UNIT - WASHINGTON COUNTY LIBRARY		
Contractually required contribution	\$ 66,047	\$ 68,685
Contributions in relation to the contractually required contribution	<u>66,047</u>	<u>68,685</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
Library's covered-employee payroll	\$ 419,347	\$ 436,096
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until, a full 10 year trend is compiled, the County and the Components have only presented information for the years in which information is available.

DELTA REGIONAL MEDICAL CENTER – A COMPONENT UNIT OF WASHINGTON COUNTY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Year Ended September 30, 2016

Total Pension Liability

Service cost	\$ 441,695
Interest on total pension liability	1,598,830
Effect of economic/demographic gains (losses)	(194,015)
Benefit payments	(1,038,177)
Net change in total pension liability	808,333
Total pension liability, beginning	24,860,629
Total pension liability, ending (a)	25,668,962

Plan Fiduciary Net Position

Employer contributions	1,338,128
Investment income net of investment expenses	752,788
Benefit payments	(1,038,177)
Administrative expenses	(27,241)
Net change in fiduciary net position	1,025,498
Fiduciary net position, beginning	15,855,179
Fiduciary net position, ending (b)	16,880,677
Net pension liability, ending (a) - (b)	\$ 8,788,285

Fiduciary net position as a percentage of the total pension liability	65.76%
Covered payroll	\$ 20,365,267
Net pension liability as a percentage of covered payroll	43.15%

Summary of Assumptions and Methods

The following actuarial methods and assumptions were used in the July 1, 2015 funding valuation:

Valuation timing	Actuarially determined contribution rates are calculated as of June 30
Actuarial cost method	Entry age normal
Amortization method:	
Level percent dollar	Level dollar
Closed, open, or layered periods	Closed
Remaining Amortization period	19 years
Amortization growth rate	5.00%
Asset valuation method:	
Smoothing period	3 years
Recognition method	Non-asymptotic
Corridor	80% - 120%
Inflation	3.00%
Salary increases	5.00%
Investment rate of return	7.50%
Cost of living adjustments	None
Retirement age	65
Turnover	Table of rates
Mortality	RP-2000 Mortality for Employees, Health Annuitants, and Disables Annuitants with Generational Projection per Scale AA

DELTA REGIONAL MEDICAL CENTER – A COMPONENT UNIT OF WASHINGTON COUNTY
SCHEDULE OF EMPLOYER CONTRIBUTIONS (UNAUDITED)
September 30, 2016

<u>Fiscal Year Ended June 30:</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
2007	\$ 986,923	986,923	-	20,938,044	4.71%
2008	1,077,494	1,077,494	-	23,228,344	4.64%
2009	1,403,396	1,403,396	-	26,112,402	5.37%
2010	746,189	746,189	-	25,730,054	2.90%
2011	931,812	931,812	-	26,593,764	3.50%
2012	1,082,409	1,082,409	-	27,546,026	3.93%
2013	1,071,487	1,071,487	-	25,120,081	4.27%
2014	944,920	944,920	-	23,831,513	3.97%
2015	939,446	939,446	-	22,586,180	4.16%
2016	969,968	1,338,128	(368,160)	20,365,267	4.76%

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2016

Budgetary Comparison Schedule

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	General Fund	Highway Maintenance Fund	Bridge & Culvert Fund
Budget (Cash Basis)	\$ 735,219	132,217	\$ 46,533
Increase (Decrease)			
Net adjustments for revenue accruals	663,672	1,963,007	3,599
Net adjustments for expenditure accruals	4,675,483	(1,831,999)	(56,713)
GAAP Basis	<u>\$ 6,074,374</u>	<u>263,225</u>	<u>\$ (6,581)</u>

WASHINGTON COUNTY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2016

Pension Schedules

A. Changes of assumptions.

2015

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

- The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

B. Changes in benefit provisions.

2016

- Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

WASHINGTON COUNTY

OTHER INFORMATION

WASHINGTON COUNTY
SCHEDULE OF SURETY BONDS FOR COUNTY OFFICIALS
For the Year Ended September 30, 2016
"Unaudited"

Name	Position	Company	Amount
Lee Gordon	Supervisor District 1	Travelers Casualty & Surety	100,000
Tommy L. Benson, III	Supervisor District 2	Travelers Casualty & Surety	100,000
Carl McGee	Supervisor District 3	Travelers Casualty & Surety	100,000
Jesse Amos	Supervisor District 4	Travelers Casualty & Surety	100,000
Jerry Redmond, Sr.	Supervisor District 5	Travelers Casualty & Surety	100,000
Vicki Uppal	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
Patricia D. Hays	Deputy Tax Collector	Western Surety	50,000
Marketa D. Nash	Deputy Tax Collector	Western Surety	50,000
Monique T. Ford	Deputy Tax Collector	Western Surety	50,000
Katrina M. Voss	Deputy Tax Collector	Western Surety	50,000
Frederick Guidry	Deputy Tax Collector	Western Surety	50,000
Keevia Flakes	Deputy Tax Collector	Western Surety	50,000
Bennie McCain	Deputy Tax Collector	Western Surety	50,000
Qadriyyah L. Franklin	Deputy Tax Collector	Western Surety	50,000
Kimberly L. Robinson	Deputy Tax Collector	Western Surety	50,000
Gloria J. Phillips	Deputy Tax Collector	Western Surety	50,000
Vicki Uppal	Purchase Clerk	Travelers Casualty & Surety	75,000
Judy Brown	Receiving Clerk	Travelers Casualty & Surety	75,000
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	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 Rhymes	Deputy Justice Court Clerk	Travelers Casualty & Surety	50,000
Anglyn Robinson	Deputy Justice Court Clerk	Travelers Casualty & Surety	50,000
Babette Larry	Deputy Justice Court Clerk	St. Paul Travelers	50,000
Geraldine Johnson	Deputy Justice Court Clerk	St. Paul Travelers	50,000
Johmarra L. Jackson	Deputy Justice Court Clerk	Travelers Casualty & Surety	50,000
RC Anderson	Constable	Travelers Casualty & Surety	50,000
Nathaniel Watkins, Jr.	Constable	Travelers Casualty & Surety	50,000
Lester Walker	Constable	Travelers Casualty & Surety	50,000

WASHINGTON COUNTY

SPECIAL REPORTS



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

MEMBERS OF
MISSISSIPPI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S
GOVERNMENT AUDIT QUALITY CENTER

**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 units, each major fund and the aggregate remaining fund information of Washington County, Mississippi, as of and for the year ended September 30, 2016 and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 25, 2017. Other auditor's audited the financial statements of the Delta Regional Medical Center, the Washington County Library System and the Greenville Port Commission, as described in our report on Washington County's financial statements. However, the financial statements of the Washington County Library System were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditor's testing of internal control over financial reporting and on compliance and other matters that are reported separately by those auditors.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control 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 weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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 July 25, 2017 included within this document.

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
July 25, 2017



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

MEMBERS OF
MISSISSIPPI SOCIETY OF CPA'S
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GOVERNMENT AUDIT QUALITY CENTER

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

Members of the Board of Supervisors
Washington County, Mississippi

We have examined Washington County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Section 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2016. 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, 2016.

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 Washington County, Mississippi's compliance with the aforementioned requirements, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Bridgers & Goodman, PLLC

Bridgers & Goodman, PLLC
Certified Public Accountants
Vicksburg, Mississippi

July 25, 2017

WASHINGTON COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2016

Schedule 1

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

WASHINGTON COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2016

Schedule 2

Our test results did not identify an emergency purchase.

WASHINGTON COUNTY

Schedule 3

**Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2016**

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



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

MEMBERS OF
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GOVERNMENT AUDIT QUALITY CENTER

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, 2016, 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 July 25, 2017, 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 efficiencies. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors

1. Finding

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

<u>Fund</u>	<u>Deficit Amount</u>
Waste tire grant fund	\$ 3,000
2012 SERIES \$1525M 5 YR NOTES	10,333
Garbage Collection Fund	53,988
Youth Drug Court 2016 Fund	9,035
MS Tobacco Fund	10,986
Triad Program Fund	316
ATV Trail Grant Fund	2,159
Negotiable Note - Warfield Park	\$ 18,234

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.

Tax Assessor

2. Finding

Section 27-1-3 requires all deputy tax assessors be bonded for \$10,000. The Tax Assessor did not have the deputy tax assessors bonded.

Recommendation

The Tax Assessor should bond the deputy tax assessors according to Section 27-1-3 immediately.

Tax Assessor Response

I will immediately have all deputy tax assessors bonded per Section 27-1-3.

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

July 25, 2017

WASHINGTON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

WASHINGTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended September 30, 2016

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|---|---------------|
| 1. Type of auditor's report issued on the financial statements: | |
| Governmental activities | Unmodified |
| Business-type activities | Unmodified |
| 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? | No |
| b. Significant deficiency identified? | None Reported |
| 3. Noncompliance material to the financial statements noted? | No |

Section 2: Financial Statement Findings

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