

MONTGOMERY COUNTY, MISSISSIPPI

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

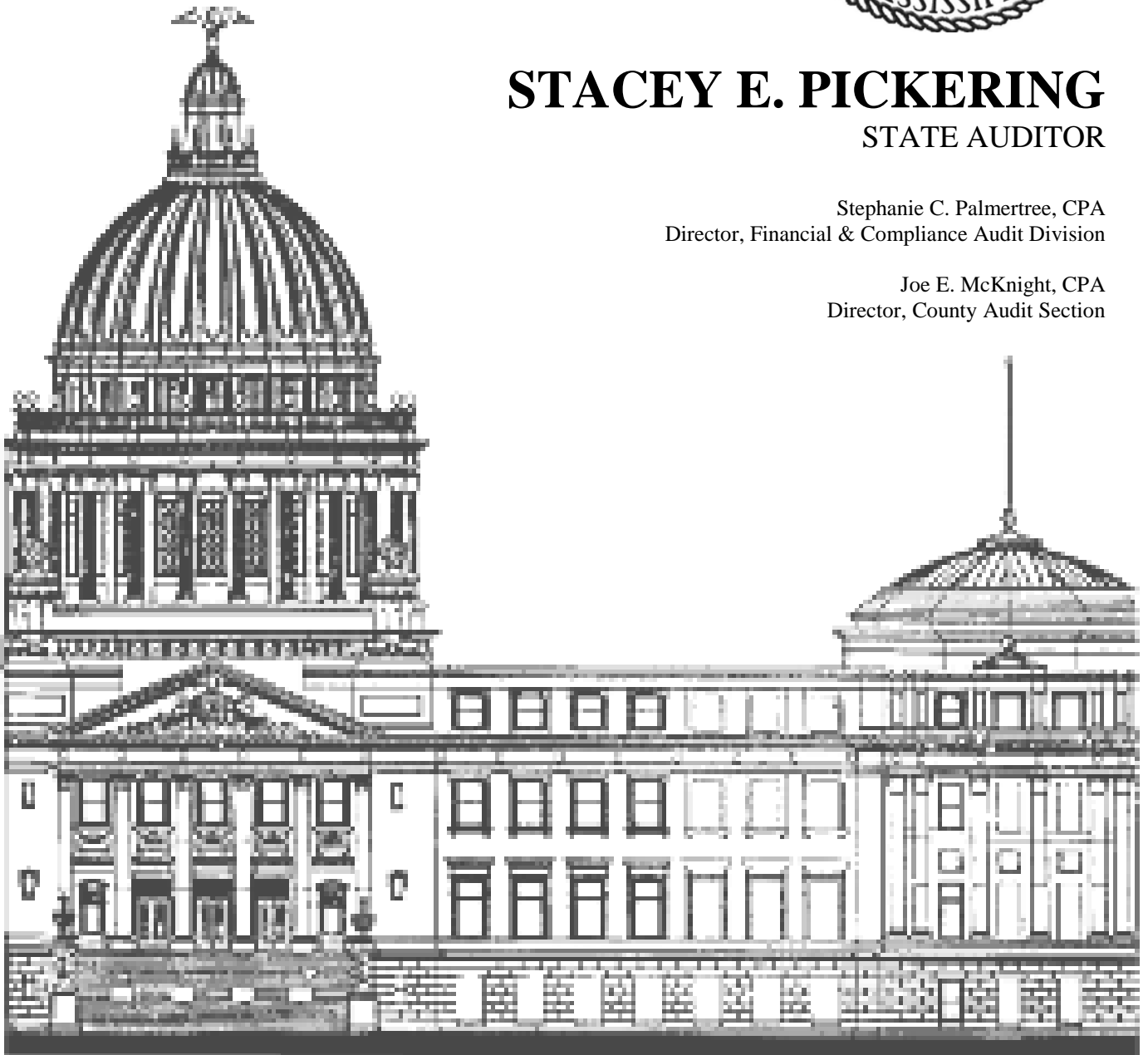


STACEY E. PICKERING

STATE AUDITOR

Stephanie C. Palmertree, CPA
Director, Financial & Compliance Audit Division

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

October 10, 2017

Members of the Board of Supervisors
Montgomery County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2016 financial and compliance audit report for Montgomery County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Montgomery County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Montgomery County. If I or this office can be of any further assistance, please contact me or Joe McKnight of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

FINANCIAL SECTION

MONTGOMERY COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Montgomery County, Mississippi

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montgomery County, Mississippi, (the County) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting, as described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

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

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the County's legally separate component units. Accounting principles applicable to the County's cash basis of accounting require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the cash basis assets, net position, receipts, and disbursements of the aggregate discretely presented component units is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the cash basis financial position of the aggregate discretely presented component units of Montgomery County, Mississippi, as of September 30, 2016, or the changes in cash basis financial position thereof for the year then ended in accordance with accounting principles applicable to the County's cash basis of accounting.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Montgomery County, Mississippi, as of September 30, 2016, and the respective changes in cash basis financial position thereof for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements which describes that Montgomery County, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Report on Supplementary and Other Information

The Budgetary Comparison Schedules, Schedule of Capital Assets, Schedule of Changes in Long-term Debt, Schedule of Surety Bonds for County Officials and corresponding notes have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2017 on our consideration of Montgomery County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Montgomery County, Mississippi's internal control over financial reporting and compliance.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

October 10, 2017

MONTGOMERY COUNTY

FINANCIAL STATEMENTS

MONTGOMERY COUNTY

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MONTGOMERY COUNTY
Statement of Net Position - Cash Basis
September 30, 2016

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ 4,865,828
Total Assets	<u>4,865,828</u>
NET POSITION	
Restricted:	
Expendable:	
General government	241,979
Public safety	123,793
Public works	2,059,202
Health and welfare	49,808
Debt service	134,907
Unemployment compensation	13,480
Unrestricted	<u>2,242,659</u>
Total Net Position	<u>\$ 4,865,828</u>

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

MONTGOMERY COUNTY
Statement of Activities - Cash Basis
For the Year Ended September 30, 2016

Exhibit 2

Functions/Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,197,970	455,665	40,973		(1,701,332)
Public safety	1,130,824	130,963	128,151		(871,710)
Public works	1,858,615	320,969	584,063	74,285	(879,298)
Health and welfare	125,464		27,774		(97,690)
Culture and recreation	67,240		46,512		(20,728)
Education	133,569				(133,569)
Conservation of natural resources	82,352				(82,352)
Economic development and assistance	103,881				(103,881)
Debt service:					
Principal	158,843				(158,843)
Interest	66,529				(66,529)
Total Governmental Activities	<u>5,925,287</u>	<u>907,597</u>	<u>827,473</u>	<u>74,285</u>	<u>(4,115,932)</u>
General receipts:					
Property taxes				\$	3,843,104
Road & bridge privilege taxes					132,165
Grants and contributions not restricted to specific programs					343,252
Unrestricted interest income					12,578
Miscellaneous					<u>323,417</u>
Total General Receipts and Other Cash Sources					<u>4,654,516</u>
Changes in Net Position					538,584
Net Position - Beginning					<u>4,327,244</u>
Net Position - Ending				\$	<u><u>4,865,828</u></u>

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

MONTGOMERY COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
September 30, 2016

Exhibit 3

	<u>Major Funds</u>			
	General	Unit System Road and Bridge Maintenance Fund	Other Governmental Funds	Total Governmental Funds
	Fund	Fund		
ASSETS				
Cash	\$ 2,238,740	1,734,917	892,171	4,865,828
Total Assets	<u>\$ 2,238,740</u>	<u>1,734,917</u>	<u>892,171</u>	<u>4,865,828</u>
FUND BALANCES				
Restricted for:				
General government			241,979	241,979
Public safety			123,793	123,793
Public works		1,734,917	324,285	2,059,202
Health and welfare			49,808	49,808
Debt service			134,907	134,907
Unemployment compensation			13,480	13,480
Committed to:				
Public works			185	185
Assigned to:				
Culture and recreation			3,734	3,734
Unassigned	2,238,740			2,238,740
Total Fund Balances	<u>\$ 2,238,740</u>	<u>1,734,917</u>	<u>892,171</u>	<u>4,865,828</u>

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

MONTGOMERY COUNTY

Exhibit 4

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances -
Governmental Funds
For the Year Ended September 30, 2016

	Major Funds		Other	Total
	General	Unit System Road and Bridge Maintenance Fund	Governmental Funds	Governmental Funds
RECEIPTS				
Property taxes	\$ 2,738,276	450,995	653,833	3,843,104
Road and bridge privilege taxes		132,165		132,165
Licenses, commissions and other receipts	168,666		5,187	173,853
Fines and forfeitures	223,427		10,000	233,427
Intergovernmental receipts	508,437	522,795	213,778	1,245,010
Charges for services			500,317	500,317
Interest income	9,782	1,966	830	12,578
Miscellaneous receipts	248,851	37,090	37,476	323,417
Total Receipts	<u>3,897,439</u>	<u>1,145,011</u>	<u>1,421,421</u>	<u>6,463,871</u>
DISBURSEMENTS				
General government	2,033,796		164,174	2,197,970
Public safety	786,406		344,418	1,130,824
Public works	17,179	1,019,489	821,947	1,858,615
Health and welfare	105,360		20,104	125,464
Culture and recreation			67,240	67,240
Education	133,569			133,569
Conservation of natural resources	82,352			82,352
Economic development and assistance	103,881			103,881
Debt service:				
Principal	53,416		105,427	158,843
Interest	49,159		17,370	66,529
Total Disbursements	<u>3,365,118</u>	<u>1,019,489</u>	<u>1,540,680</u>	<u>5,925,287</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>532,321</u>	<u>125,522</u>	<u>(119,259)</u>	<u>538,584</u>
OTHER CASH SOURCES (USES)				
Transfers in			261,754	261,754
Transfers out	(261,754)			(261,754)
Total Other Cash Sources and Uses	<u>(261,754)</u>	<u>0</u>	<u>261,754</u>	<u>0</u>
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	<u>270,567</u>	<u>125,522</u>	<u>142,495</u>	<u>538,584</u>
Cash Basis Fund Balances - Beginning	<u>1,968,173</u>	<u>1,609,395</u>	<u>749,676</u>	<u>4,327,244</u>
Cash Basis Fund Balances - Ending	<u>\$ 2,238,740</u>	<u>1,734,917</u>	<u>892,171</u>	<u>4,865,828</u>

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

MONTGOMERY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Montgomery 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. The financial statements of the County are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board. These accounting principles require Montgomery County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all of the County's component units necessary for reporting in accordance with accounting principles applicable to the County's cash basis of accounting.

- Tyler Holmes Hospital
- East Montgomery County Hospital
- Montgomery County Economic Development District

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

The Statement of Net Position – Cash Basis presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities – Cash Basis presents a comparison between direct disbursements and program receipts for each function or program of the County's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other receipts not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which

MONTGOMERY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

each governmental function is self-financing or draws from the general receipts 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, fund balances, receipts and disbursements. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

The Government-wide and Governmental Funds financial statements are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

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.

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

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 cash sources that are restricted or committed to disbursement 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 disbursement 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 disbursement for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

D. Account Classifications.

The account classification 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.

E. Deposits.

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

MONTGOMERY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less).

F. Equity Classifications.

Government-wide Financial Statements:

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

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.”

Net Position Flow Assumption:

When a disbursement is paid 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 disbursements are paid for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

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.

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

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

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

Assigned fund balance includes amounts that are constrained by the County’s intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Assistant Comptroller.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if disbursements paid 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:

MONTGOMERY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

When a disbursement is paid 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 disbursements are paid for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

G. Property Tax Receipts.

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

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

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2016, was \$4,865,828, and the bank balance was \$5,408,880. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal 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.

(3) Interfund Transfers.

The following is a summary of interfund transfers at September 30, 2016:

Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 261,754

The principal purpose of interfund transfers was to provide funds for operating expenses. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

MONTGOMERY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

(4) 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.

(5) 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 disbursements of resources for allowable purposes. The County may be responsible for any disallowances.

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.

(6) Commitment.

Montgomery County entered into an Interlocal Cooperation Agreement with the City of Winona, dated May 28, 2010, to support the Holiday Inn Express construction of infrastructure. The City of Winona issued tax increment financing bonds of \$350,000. Montgomery County has agreed to provide payments of 50% of the ad valorem taxes on the Holiday Inn assessment of real and personal property taxes ended in the fiscal year 2022. Montgomery County contributed \$20,160 in the fiscal year 2016.

(7) Joint Ventures.

The County participates in the following joint venture:

Montgomery County is a participant with the City of Winona in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Winona-Montgomery County Airport Authority. The joint venture was created to construct, manage, control and operate the Winona-Montgomery County Airport and is governed by a five-member board of commissioners appointed as follows: Montgomery County, two; City of Winona, two; jointly, one. By contractual agreement, all costs of the airport shall be borne equally by both parties. The County contributed \$17,179 for maintenance and support of the airport in fiscal year 2016. Financial statements for the Winona-Montgomery County Airport Authority were not available.

(8) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Region Six Mental Health/Mental Retardation Center/Life Help operates in a district composed of the counties of Attala, Carroll, Grenada, Holmes, Humphreys, Leflore, Montgomery and Sunflower. The Montgomery County Board of Supervisors appoints one of the eight members of the board of commissioners. The County contributed \$22,598 for support of the center in fiscal year 2016.

MONTGOMERY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

North Central Planning and Development District operates in a district composed of the counties of Attala, Carroll, Grenada, Holmes, Leflore, Montgomery and Yalobusha. The Montgomery County Board of Supervisors appoints four of the 28 members of the district board of directors. The County contributed \$35,316 for the maintenance and support of the district in fiscal year 2016.

Holmes Community College operates in a district composed of the counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Montgomery County Board of Supervisors appoints two of the 22 members of the college board of trustees. The County contributed \$132,093 for maintenance and support of the college in fiscal year 2016.

Mid-Mississippi Regional Library System operates in a district composed of the counties of Attala, Holmes, Leake, Montgomery and Winston. The Montgomery County Board of Supervisors appoints one of the five members of the library board of directors. The County contributed \$173,121 for maintenance and support of the library in fiscal year 2016.

Mississippi Regional Housing Authority IV operates in a district composed of the counties of Carroll, Choctaw, Clay, Grenada, Lowndes, Montgomery, Oktibbeha, Webster and Winston. The Montgomery County Board of Supervisors appoints one of the nine members of the board of commissioners. The County did not contribute any funds to the authority in fiscal year 2016.

Montgomery County is a participant with the County of Webster and Choctaw in a jointly governed venture, authorized by Section 19-5-99, Miss. Code Ann. (1972), to operate the Regional Economic Enterprise of MS. The enterprise was created to establish and maintain an economic development district to secure and further industrial development of the counties and is governed by a six-member board of trustees appointed as follows: Montgomery County, two; Webster County, two; Choctaw County, two. The County contributed \$40,000 for maintenance and support to the Regional Economic Enterprise of MS in fiscal year 2016. Financial statements for the Regional Economic Enterprise of MS were not available.

(9) Defined Benefit Pension Plan.

Plan Description. Montgomery 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2016, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2016 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2016, 2015 and 2014 were \$279,321, \$281,827, and \$278,198, respectively, equal to the required contributions for each year.

MONTGOMERY COUNTY

OTHER INFORMATION

MONTGOMERY COUNTY

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MONTGOMERY COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2016
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 2,685,056	2,738,276	2,738,276	
Licenses, commissions and other receipts	158,962	168,666	168,666	
Fines and forfeitures	132,722	223,427	223,427	
Intergovernmental receipts	253,709	508,437	508,437	
Interest income	16,600	9,782	9,782	
Miscellaneous receipts	151,567	248,851	248,851	
Total Receipts	<u>3,398,616</u>	<u>3,897,439</u>	<u>3,897,439</u>	<u>0</u>
DISBURSEMENTS				
Current:				
General government	2,124,943	2,033,796	2,033,796	
Public safety	874,542	786,406	786,406	
Public works	16,210	17,179	17,179	
Health and welfare	136,245	105,360	105,360	
Culture and recreation	20,725			
Education		133,569	133,569	
Conservation of natural resources	83,182	82,352	82,352	
Economic development and assistance	100,966	103,881	103,881	
Debt service:				
Principal		53,416	53,416	
Interest		49,159	49,159	
Total Disbursements	<u>3,356,813</u>	<u>3,365,118</u>	<u>3,365,118</u>	<u>0</u>
Excess of Receipts over (under) Disbursements	<u>41,803</u>	<u>532,321</u>	<u>532,321</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Transfers out		(261,754)	(261,754)	
Other financing sources	330,181			
Other financing uses	(580,881)			
Total Other Cash Sources and Uses	<u>(250,700)</u>	<u>(261,754)</u>	<u>(261,754)</u>	<u>0</u>
Net Change in Fund Balance	(208,897)	270,567	270,567	
Fund Balances - Beginning	<u>2,060,000</u>	<u>1,968,173</u>	<u>1,968,173</u>	
Fund Balances - Ending	<u>\$ 1,851,103</u>	<u>2,238,740</u>	<u>2,238,740</u>	<u>0</u>

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

MONTGOMERY COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Unit System Road and Bridge Maintenance Fund
 For the Year Ended September 30, 2016
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 430,230	450,995	450,995	
Road and bridge privilege taxes	106,000	132,165	132,165	
Intergovernmental receipts	496,000	522,795	522,795	
Interest income		1,966	1,966	
Miscellaneous receipts	6,500	37,090	37,090	
Total Receipts	<u>1,038,730</u>	<u>1,145,011</u>	<u>1,145,011</u>	<u>0</u>
DISBURSEMENTS				
Current:				
Public works	<u>1,237,965</u>	<u>1,019,489</u>	<u>1,019,489</u>	
Total Disbursements	<u>1,237,965</u>	<u>1,019,489</u>	<u>1,019,489</u>	<u>0</u>
Excess of Receipts over (under) Disbursements	<u>(199,235)</u>	<u>125,522</u>	<u>125,522</u>	<u>0</u>
Net Change in Fund Balance	(199,235)	125,522	125,522	
Fund Balances - Beginning	<u>1,400,000</u>	<u>1,609,395</u>	<u>1,609,395</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,200,765</u>	<u>1,734,917</u>	<u>1,734,917</u>	<u>0</u>

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

MONTGOMERY COUNTY
Schedule of Capital Assets
For the Year Ended September 30, 2016
UNAUDITED

Governmental activities:

	Balance Oct. 1, 2015	Additions	Deletions	Adjustments*	Balance Sept. 30, 2016
Land	\$ 211,973				211,973
Construction in progress	328,546	548,911		(542,460)	334,997
Infrastructure	9,127,168	44,690		542,460	9,714,318
Buildings	5,651,612				5,651,612
Mobile equipment	3,586,250	123,767	37,345		3,672,672
Furniture and equipment	551,538				551,538
Total capital assets	\$ 19,457,087	717,368	37,345	0	20,137,110

* The adjustment column includes reclassification of completed construction projects transferred to infrastructure.

MONTGOMERY COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2016
UNAUDITED

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

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2015	Principal Payments	Balance Sept. 30, 2016
Governmental Activities:						
A. General Obligation Bonds:						
Coliseum stalls	11/2008	10/2022	4.25%	\$ 120,000	15,000	105,000
DHS Justice Court building	03/2010	03/2024	4.10%	282,000	27,000	255,000
General obligation public improvement bonds	03/2014	02/2034	3.00/4.00%	965,000	35,000	930,000
B. Other Loans:						
MDA Cap Loan - Mental Health building	06/2003	05/2022	3.00%	45,778	5,724	40,054
E-911 loan	08/2011	08/2016	1.99%	63,427	63,427	-
MDA Cap Loan - Screw Conveyor	06/2012	06/2032	3.00%	309,980	12,692	297,288
Total				\$ 1,786,185	158,843	1,627,342

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

MONTGOMERY COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2016
UNAUDITED

Name	Position	Company	Bond
Keith McGee	Supervisor District 1	Western Surety Company	\$100,000
Edwin Taylor	Supervisor District 2	The Ohio Casualty Insurance Company	\$100,000
Willie Townsend Jr.	Supervisor District 3	The Ohio Casualty Insurance Company	\$100,000
James Ronald Wood, Jr.	Supervisor District 4	Western Surety Company	\$100,000
Janet Harper	Supervisor District 5	The Ohio Casualty Insurance Company	\$100,000
Ryan Wood	County Administrator	The Ohio Casualty Insurance Company	\$100,000
Talmadge "Tee" Golding	County Administrator	The Ohio Casualty Insurance Company	\$100,000
Ryan Wood	Chancery Clerk	The Ohio Casualty Insurance Company	\$100,000
Talmadge "Tee" Golding	Chancery Clerk	Western Surety Company	\$100,000
Ryan Wood	Purchase Clerk	The Ohio Casualty Insurance Company	\$75,000
Talmadge "Tee" Golding	Purchase Clerk	The Ohio Casualty Insurance Company	\$75,000
Terri L. Wilson	Receiving Clerk	Western Surety Company	\$75,000
Debbie Crenshaw	Assistant Receiving Clerk	State Automobile Mutual Insurance Company	\$50,000
Joy Wilkerson	Assistant Receiving Clerk	State Automobile Mutual Insurance Company	\$50,000
Laura Ables	Assistant Receiving Clerk	The Ohio Casualty Insurance Company	\$50,000
Ryan Wood	Inventory Control Clerk	The Ohio Casualty Insurance Company	\$75,000
Ashley Eldrige	Assistant Inventory Control Clerk	State Automobile Mutual Insurance Company	\$50,000
Chris Breazeale	Road Manager	The Ohio Casualty Insurance Company	\$50,000
L.C. Smith	Constable	Western Surety Company	\$50,000
Jerry Dale Bridges	Constable	Western Surety Company	\$50,000
Lanelle G. Martin	Circuit Clerk	Western Surety Company	\$100,000
Lesa Carole Goldman	Deputy Circuit Clerk	Old Republic Surety Company	\$50,000
Jerry C. "Bubba" Nix	Sheriff	Western Surety Company	\$100,000
Jody Windham	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Old Republic Surety Company	\$50,000
James Burton	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	State Automobile Mutual Insurance Company	\$50,000
Calvin Young	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	State Automobile Mutual Insurance Company	\$50,000
Larry Edward Bamberg	Justice Court Judge	The Ohio Casualty Insurance Company	\$50,000
Keith S. Roberts	Justice Court Judge	Western Surety Company	\$50,000
Karen T. Carter	Justice Court Clerk	Western Surety Company	\$75,000
Florence C. Miers	Deputy Justice Court Clerk	Fci Insurance Group	\$50,000
Kellie Tate	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Tilford Robinson	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Velma Young	Tax Assessor-Collector	Western Surety Company	\$100,000
Sharon Pyron	Deputy Tax Collector	The Ohio Casualty Insurance Company	\$50,000
Mary Breanna Bailey	Deputy Tax Collector	State Automobile Mutual Insurance Company	\$50,000
Monica S. Turner	Deputy Tax Collector	Old Republic Surety Company	\$50,000

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

Notes the Other Information
For the Year Ended September 30, 2016
UNAUDITED

(1) Budgetary Comparison Information.

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of receipt, each general item of disbursement, 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 presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary 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.

(2) Long-term Debt Information:

- A. Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2016, the amount of outstanding debt was equal to 2.02% of the latest property assessments.

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

SPECIAL REPORTS

MONTGOMERY COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**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
Montgomery 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, each major fund, and the aggregate remaining fund information of Montgomery County, Mississippi (the County), 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 October 10, 2017. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles applicable to the County's cash basis of accounting to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Montgomery County, Mississippi's internal control over financial reporting (internal control) 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 Montgomery County, Mississippi'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 weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2016-001, 2016-002, 2016-003, 2016-004 and 2016-005 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montgomery County, Mississippi's financial statements are free from 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 Montgomery County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated October 10, 2017, included within this document.

Montgomery County's Responses to Findings

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

Purpose of this Report

The 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.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

October 10, 2017



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Montgomery County, Mississippi

We have examined Montgomery County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2016. The Board of Supervisors of Montgomery 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 such 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 Montgomery 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 system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

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

Purchase Clerk.

1. Purchase Clerk should obtain bids for necessary goods and services.

Repeat Finding No

Criteria Section 31-7-13(b), Miss. Code Ann (1972), requires purchases which involve an expenditure of more than \$5,000 but not more than \$50,000, exclusive of freight and shipping charges may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two competitive written bids have been obtained.

Condition	During testwork, one instance was noted where two competitive written bids were not obtained for a purchase.
Cause	Unknown
Effect	Failure to obtain bids could result in overpayment for goods or services.
Recommendation	The Purchase Clerk should ensure that bids are obtained for the necessary goods and services.
Purchase Clerk's Response	We will comply.

Inventory Control Clerk.

2. Inventory reports should be filed timely.

Repeat Finding Yes

Criteria Section 31-7-107, Miss. Code Ann (1972), requires inventory reports to be filed with the Board of Supervisors, in triplicate with copies forwarded to the Office of the State Auditor no later than October 15th of each fiscal year.

Condition As reported in the prior year's audit report, the required inventory reports prepared by the Inventory Control Clerk were filed late with the Office of the State Auditor on November 5, 2016.

Cause Unknown

Effect Failure to prepare the annual reports timely increases the possibility of the loss or misappropriation of public funds and could result in the reporting of inaccurate amounts.

Recommendation The Inventory Control Clerk should prepare inventory reports and file with the Board of Supervisors and forward copies to the Office of the State Auditor no later than October 15th of each fiscal year.

Inventory Control Clerk's Response We are working to speed up this process.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Montgomery 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.

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

This report is intended for use in evaluating the central purchasing system and inventory control system of Montgomery County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

October 10, 2017

MONTGOMERY COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder

For the Year Ended September 30, 2016

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

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

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
9/5/2016	EOC Radio Equipment	\$ 1,835.00	Central MS Communications	Critical equipment failure on Labor Day holiday

MONTGOMERY COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2016

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
10/30/2015	Fly Ash	\$	6,218	Headwaters Resources
8/31/2016	Fly Ash		7,748	Headwaters Resources

MONTGOMERY COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Montgomery County, Mississippi

In planning and performing our audit of the financial statements of Montgomery County, Mississippi (the County) for the year ended September 30, 2016, we considered Montgomery 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 Montgomery 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 October 10, 2017, on the financial statements of Montgomery County, Mississippi.

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

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. The four-year road plan should be spread upon the minutes.

Repeat Finding No

Criteria Section 65-7-117, Miss. Code Ann (1972), states the Board of Supervisors shall on or before February 1 of each year, adopt and spread upon its minutes a four year plan for the construction and maintenance of county roads and bridges.

Condition The four-year road plan for construction and major maintenance of county roads and bridges was not adopted and spread upon the minutes.

Cause Unknown

Effect Failure to comply with state law could result in the County not identifying and effectively prioritizing their road construction and maintenance projects.

Recommendation	The four-year road plan should be adopted and spread upon the minutes.
Board of Supervisors' Response	This was an oversight and the plan was added to the minutes in Book 136 Page 73.
2.	<u>The Board of Supervisors did not specify the correct purpose for the countywide bond tax levy.</u>
Repeat Finding	No
Criteria	Section 27-39-317, Miss. Code Ann. (1972), requires the Board of Supervisors to specify the purpose of each tax levy when approving the tax levy. The specific authority from the Mississippi Code should be cited for each tax levy contained in the County ad valorem tax levy.
Condition	The Board of Supervisors approved the fiscal year ended September 30, 2016 tax levy citing the specific authority from the Mississippi Code for the collection of a countywide bond levy. However, the purpose for the levy was incorrectly identified as being for the Multi-Purpose Facility Building Bonds of 1996, which were paid-off in a prior year. The purpose should have been for the repayment of the General Obligation Public Improvement Bonds, Series 2010, which are scheduled to be paid-off in fiscal year ending September 30, 2024.
Cause	Unknown
Effect	The listing of an incorrect purpose could lead to improper or unauthorized use of tax levy collections.
Recommendation	The Board of Supervisors should correctly identify the purpose for each County tax levy.
Board of Supervisors' Response	This was an oversight of the purpose intended. We are aware of the issue and are taking steps to correct. This issue will be corrected in the next fiscal year.
3.	<u>Failure to account for travel advances.</u>
Repeat Finding	No
Criteria	Section 25-3-41, Miss. Code Ann. (1972), provides officers or employees of a county may receive travel advances, subject to the rules and regulations prescribed by the Office of the State Auditor. The Board of Supervisors has the authority to approve paying an official funds for the purpose of paying necessary expenses incurred during travel before the travel occurs but upon return from the travel the officer shall provide actual receipts for any expenses incurred and documentation for each mile actually traveled. Any portion of the funds advanced which are not expended during the travel shall be returned by the official.
Condition	An official who received a travel advance did not provide documentation for actual miles traveled or receipts for actual expenses and no portion of the travel advance was returned.
Cause	Unknown
Effect	Failure to document actual travel expenses could result in the overpayment of travel expenses to officials.
Recommendation	The Board of Supervisors should adopt a policy regarding travel advances. Any travel advance should be accounted for promptly, including reimbursement of any travel funds not expended for travel.

**Board of Supervisors’
Response**

We are only going to do advances in emergency situations in the future. We will document better when we do.

Chancery Clerk.

4. Board of Supervisors’ minutes were not complete.

Repeat Finding No

Criteria Section 19-3-27, Miss Code Ann (1972), requires the Clerk of the Board of Supervisors to keep and preserve a complete and correct record of all board proceedings.

Condition The board minutes were not complete in representation to the activity of the board proceedings throughout the year. Approval of one addition to capital assets and sole source purchase documentation was not included in the minutes.

Cause Unknown

Effect Failure to record the minutes could result in unlawful acts as there is not record as to what the board ordered.

Recommendation The Chancery Clerk should keep a complete and correct record of all board proceedings.

**Chancery Clerk’s
Response** This will be corrected.

5. Chancery Clerk should deposit money in an approved depository.

Repeat Finding No

Criteria Section 27-105-303, Miss. Code Ann. (1972), requires that county funds be on deposit in an approved county depository.

Condition The Chancery Clerk’s funds were deposited in an unapproved depository for fiscal year 2016.

Cause Unknown

Effect Failure to have funds in an approved county depository could result in a loss of funds to the County.

Recommendation The Chancery Clerk should deposit funds in an approved county depository as required by law.

**Chancery Clerk’s
Response** We will comply.

Montgomery 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.

A handwritten signature in black ink, reading "Joe E. McKnight". The signature is written in a cursive, flowing style with a long horizontal line extending from the end.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

October 10, 2017

MONTGOMERY COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

Schedule of Finding 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
Aggregate discretely presented component units	Adverse
General Fund	Unmodified
Unit System Road and Bridge Maintenance Fund	Unmodified
Aggregate remaining fund information	Unmodified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiency identified? None reported
3. Noncompliance material to the financial statements noted? No

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2016-001. An adequate system of internal control over payroll procedures should be implemented.

Repeat Finding Yes, 2015-001

Criteria An effective system of internal control over the county payroll should include proper segregation of duties, proper authorization of payroll and documentation for all withholdings, deductions, leave and hours worked.

Condition As reported in the prior two years' audit reports, inadequate controls exist in the payroll function. The employment and salaries of county employees are not filed in the individual personnel files. This is due to a lack of segregation of duties and management oversight.

Cause Unknown

Effect Without proper controls, inaccurate payroll checks could be processed.

Recommendation Documentation for all payroll and employment status changes should be kept in each individual personnel file.

Board of Supervisors' Response We will comply.

MONTGOMERY COUNTY

Schedule of Finding and Responses
For the Year Ended September 30, 2016

Chancery Clerk.

Material Weakness

2016-002. Controls over cash collections and disbursements in the Chancery Clerk's office should be strengthened.

Repeat Finding Yes, 2015-003

Criteria An effective system of internal control should include an adequate segregation of duties, maintenance and reconciliation of records documenting daily collections and daily bank deposits.

Condition As reported in the prior five years' audit reports, cash collections and disbursement functions are not adequately segregated for effective internal control. One employee receipts cash, prepares deposit slips, posts to the detail general ledger, and disburses all funds. Reconciliation errors were also noted between receipt logs and deposits. Further, we noted bank deposits are not being made daily.

Cause Unknown

Effect Failure to have an adequate segregation of duties, maintenance and reconciliation of records documenting daily collections, and daily bank deposits could result in the loss of public funds.

Recommendation Accounting functions involving receipting and disbursing of funds, recording of funds and reconciling of accounts should be properly segregated. The Chancery Clerk should ensure that bank deposits are made daily.

Chancery Clerk's Response We will comply to the best of our abilities.

Material Weakness

2016-003. Bank statements should be properly reconciled and have adequate supporting documentation.

Repeat Finding Yes, 2015-004

Criteria An effective system of internal control over accounting records should include a properly reconciled bank statement to the County's general ledger trial balance.

Condition We noted the following weaknesses concerning reconciling items on bank reconciliations:

- a. Reconciling items were not adequately identified as to source or reason.
- b. Supporting documentation was not included for reconciling items.
- c. Overages and shortages were not investigated as to cause.
- d. Adjusting entries were made without approval for overages and shortages.
- e. Outstanding deposits were not individually identified as to date and amount and source.
- f. Direct deposits were not recorded in the proper month.

Cause Unknown

Effect Failure to properly reconcile bank statements could lead to misstatement of financial statements and fraud.

MONTGOMERY COUNTY

Schedule of Finding and Responses
For the Year Ended September 30, 2016

Recommendation	The Chancery Clerk should review bank reconciliations and documentation for reconciling items. The Chancery Clerk should ensure that reconciling items are legitimate. The bookkeeper should identify any problems associated with a reconciling item before making an adjustment. Overages and shortages should be investigated as to cause. Adjustments should be presented to the Chancery Clerk/Comptroller for approval. The bookkeeper should monitor bank accounts online and record direct deposits.
Chancery Clerk's Response	Some of these items have been corrected and the remaining items will be corrected.
Circuit Clerk.	
Material Weakness	
2016-004.	<u>Controls over cash collections and disbursements in the Circuit Clerk's office should be strengthened.</u>
Repeat Finding	Yes, 2015-005
Criteria	An effective system of internal control should include an adequate segregation of duties.
Condition	As reported in the prior five years' audit reports, cash collection and disbursement functions in the Circuit Clerk's office are not adequately segregated for effective internal control. The Circuit Clerk receipts cash, posts the cash journal, calculates the monthly settlements and disburses the funds and reconciles the bank statements.
Cause	Unknown
Effect	Failure to have an adequate segregation of duties could result in the loss of public funds.
Recommendation	The Circuit Clerk should implement a system for review of the accounting records by another person.
Circuit Clerk's Response	With only two (2) individuals in this office, it is impossible to completely segregate responsibilities; however, as much as possible, we try to do so. As much as possible, my deputy clerk receipts and deposits the funds coming into this office. When making a deposit, she prints a "Deposit Report" which lists, among other things, a receipt number, the payer of the funds received, and the amount of each payment. I then print a "Cash Journal" which lists, among other things, a receipt number, the payer of the funds received, and the amount of each payment received, and breaks the funds down, i.e., clerk's fees, law library, copies, record search, etc. The "Report Total" on the Deposit Report and the "Ending Balance" on the Cash Journal must be the same. My deputy clerk has limited access to the accounting system and does not have access to the Cash Journal.
Tax Assessor-Collector.	
Material Weakness	
2016-005.	<u>Controls over cash collections and disbursements in the Tax Collector's office should be strengthened.</u>
Repeat Finding	Yes, 2015-006
Criteria	An effective system of internal control should include an adequate segregation of duties.

MONTGOMERY COUNTY

Schedule of Finding and Reponses
For the Year Ended September 30, 2016

Condition	As reported in the prior five years' audit reports, cash collection and disbursement functions in the Tax Collector's office are not adequately segregated for effective internal control. The Tax Collector receipts cash, prepares deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statements and disburses all funds.
Cause	Unknown
Effect	Failure to have an adequate segregation of duties could result in the loss of public funds.
Recommendation	The Tax Collector should implement a system for review of the accounting records by another person.
Tax Assessor-Collector's Response	I will try to comply as best I can to get help with the accounting records.