

MONTGOMERY COUNTY, MISSISSIPPI

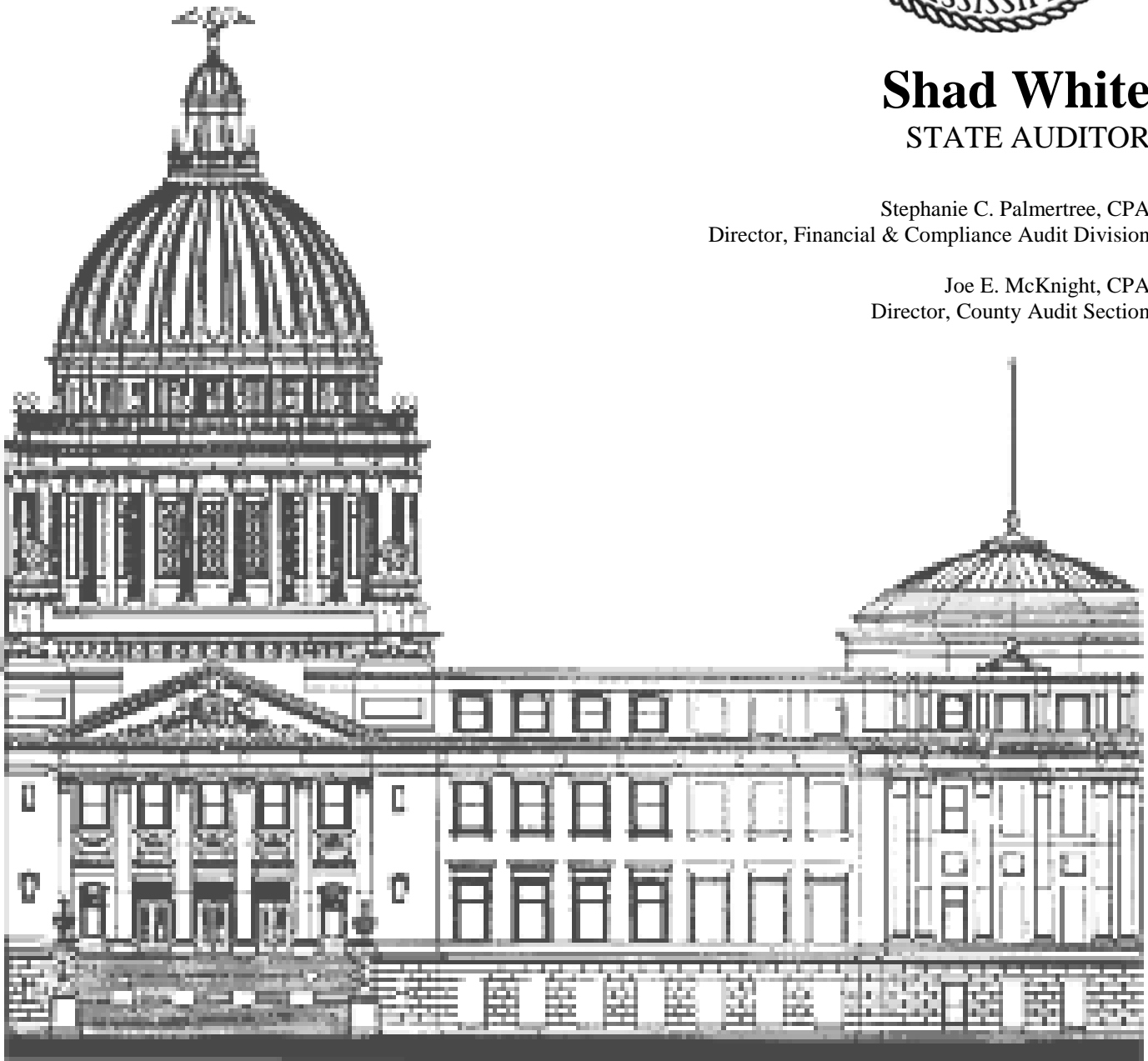
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2017



Shad White
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

www.osa.state.ms.us



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

August 8, 2018

Members of the Board of Supervisors
Montgomery County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2017 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 "Shad White", enclosed within a large, loopy oval.

Shad White
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
Shad White
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, 2017, 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, 2017, 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 above 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, 2017, 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montgomery County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Budgetary Comparison Schedules, Schedule of Interfund Loans, 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 August 8, 2018 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 solely 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 effectiveness of Montgomery County, Mississippi's 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.

A handwritten signature in black ink, reading "Joe E. Mcknight". The signature is written in a cursive, flowing style.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

August 8, 2018

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

FINANCIAL STATEMENTS

MONTGOMERY COUNTY

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MONTGOMERY COUNTY
Statement of Net Position - Cash Basis
September 30, 2017

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ <u>4,583,429</u>
Total Assets	<u><u>4,583,429</u></u>
NET POSITION	
Restricted:	
Expendable:	
General government	234,927
Public safety	164,995
Public works	1,520,833
Health and welfare	59,212
Debt service	44,652
Unemployment compensation	13,494
Unrestricted	<u>2,545,316</u>
Total Net Position	\$ <u><u>4,583,429</u></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, 2017

Exhibit 2

Functions/Programs	Programs 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	\$ 2,209,965	435,382	14,934		(1,759,649)
Public safety	1,315,467	129,047	153,133		(1,033,287)
Public works	4,773,957	325,044	2,731,643	46,239	(1,671,031)
Health and welfare	273,571		18,377	160,486	(94,708)
Culture and recreation	74,409		103,467		29,058
Education	135,120				(135,120)
Conservation of natural resources	83,494				(83,494)
Economic development and assistance	71,066				(71,066)
Debt service:					
Principal	193,070				(193,070)
Interest	52,884				(52,884)
Total Governmental Activities	<u>9,183,003</u>	<u>889,473</u>	<u>3,021,554</u>	<u>206,725</u>	<u>(5,065,251)</u>
General receipts:					
Property taxes				\$	4,083,948
Road & bridge privilege taxes					132,065
Grants and contributions not restricted to specific programs					340,031
Unrestricted interest income					12,062
Miscellaneous					214,746
Total General Receipts and Other Cash Sources					<u>4,782,852</u>
Changes in Net Position					(282,399)
Net Position - Beginning					<u>4,865,828</u>
Net Position - Ending				\$	<u>4,583,429</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
For the Year Ended September 30, 2017

Exhibit 3

	<u>Major Funds</u>			
	<u>General</u>	<u>Unit System</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Road and Bridge</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Maintenance Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash	\$ 2,488,101	1,200,137	895,191	4,583,429
Total Assets	\$ 2,488,101	1,200,137	895,191	4,583,429
FUND BALANCES				
Restricted for:				
General government			234,927	234,927
Public safety			164,995	164,995
Public works		1,200,137	320,696	1,520,833
Health and welfare			59,212	59,212
Debt service			44,652	44,652
Unemployment compensation			13,494	13,494
Committed to:				
Public works			185	185
Assigned to:				
Culture and recreation			57,030	57,030
Unassigned	2,488,101			2,488,101
Total Fund Balances	\$ 2,488,101	1,200,137	895,191	4,583,429

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, 2017

	<u>Major Funds</u>			
	General	Unit System Road and Bridge Maintenance Fund	Other Governmental Funds	Total Governmental Funds
	Fund	Fund	Funds	Funds
RECEIPTS				
Property taxes	\$ 2,927,499	471,831	684,618	4,083,948
Road and bridge privilege taxes		132,065		132,065
Licenses, commissions and other receipts	151,753		4,555	156,308
Fines and forfeitures	233,307		7,780	241,087
Intergovernmental receipts	498,442	2,585,087	484,781	3,568,310
Charges for services			492,078	492,078
Interest income	9,811	1,204	1,047	12,062
Miscellaneous receipts	159,758	33,433	21,555	214,746
Total Receipts	<u>3,980,570</u>	<u>3,223,620</u>	<u>1,696,414</u>	<u>8,900,604</u>
DISBURSEMENTS				
General government	2,023,510		186,455	2,209,965
Public safety	918,982		396,485	1,315,467
Public works	18,000	3,758,400	997,557	4,773,957
Health and welfare	99,480		174,091	273,571
Culture and recreation			74,409	74,409
Education	135,120			135,120
Conservation of natural resources	83,494			83,494
Economic development and assistance	71,066			71,066
Debt service:				
Principal	60,070		133,000	193,070
Interest	42,544		10,340	52,884
Total Disbursements	<u>3,452,266</u>	<u>3,758,400</u>	<u>1,972,337</u>	<u>9,183,003</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>528,304</u>	<u>(534,780)</u>	<u>(275,923)</u>	<u>(282,399)</u>
OTHER CASH SOURCES (USES)				
Transfers in			278,943	278,943
Transfers out	(278,943)			(278,943)
Total Other Cash Sources and Uses	<u>(278,943)</u>	<u>0</u>	<u>278,943</u>	<u>0</u>
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	<u>249,361</u>	<u>(534,780)</u>	<u>3,020</u>	<u>(282,399)</u>
Cash Basis Fund Balances - Beginning	<u>2,238,740</u>	<u>1,734,917</u>	<u>892,171</u>	<u>4,865,828</u>
Cash Basis Fund Balances - Ending	<u>\$ 2,488,101</u>	<u>1,200,137</u>	<u>895,191</u>	<u>4,583,429</u>

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

Exhibit 5

MONTGOMERY COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2017

	Agency Funds
ASSETS	
Cash	\$ 14
Total Assets	\$ 14
LIABILITIES	
Intergovernmental payables	14
Total Liabilities	\$ 14

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

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2017

(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

MONTGOMERY COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2017

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 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, and Fiduciary 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 - 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.

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.

MONTGOMERY COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2017

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.

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.

MONTGOMERY COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2017

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:

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.

H. 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 No. 77, *Tax Abatement Disclosures*. However, the County does not have any tax abatements at September 30, 2017.

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2017, was \$4,583,443, and the bank balance was \$5,129,775. 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.

MONTGOMERY COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2017

(3) Interfund Transfers.

The following is a summary of interfund transfers at September 30, 2017:

Transfers In/Out:			
<u>Transfers In</u>	<u>Transfers Out</u>		<u>Amount</u>
Other Governmental Funds	General Fund	\$	278,943

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.

(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, 2017, to January 1, 2018. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(5) Other Postemployment Benefits.

Plan Description

The Montgomery County Board of Supervisors administers the County's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County's health insurance plan may be amended by the Montgomery County Board of Supervisors. The County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. 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-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 elected official with sixteen (16) years or more of service 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, 2017, retiree premiums are \$413. Although, with regard to retirees, these amounts contain an implicit rate subsidy by the County through a reduced blended premium covering all current employees and retirees, there is no actuarial valuation performed to determine the amount of such subsidy.

MONTGOMERY COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2017

Contributions Made

Because the retiree insurance premiums are paid entirely by retiree contributions, there is no net cash outflow by the County related to these benefits when paid. Therefore, there are no cash basis disbursements reported for the County in regard to the plan benefits for retirees. For fiscal year 2017, retiree and beneficiaries receiving benefits contributed \$4,548 in the form of insurance premium payments.

(6) 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.

(7) 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 \$20,313 in the fiscal year 2017.

(8) 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 it 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 \$18,000 for maintenance and support of the airport in fiscal year 2017. Financial statements for the Winona-Montgomery County Airport Authority were not available.

(9) 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 2017.

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 2017.

MONTGOMERY COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2017

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 \$137,923 for maintenance and support of the college in fiscal year 2017.

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 \$162,877 for maintenance and support of the library in fiscal year 2017.

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 2017.

(10) 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, 2017, 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, 2017 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, 2017, 2016 and 2015 were \$287,429, \$279,321 and \$281,827, respectively, equal to the required contributions for each year.

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

SUPPLEMENTAL INFORMATION

MONTGOMERY COUNTY

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MONTGOMERY COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Justice/Passed-through the Mississippi Department of Public Safety			
Violence against women formula grants	16.588	14SP1491	\$ 2,498
Violence against women formula grants	16.588	15SP1491	53,738
Subtotal			<u>56,236</u>
Mississippi Department of Health			
Violence against women formula grants	16.588	2016-WF-AX-0043	<u>20,151</u>
Total Department of Justice			<u>76,387</u>
U.S. Department of Transportation/Passed-through the Mississippi Department of Transportation			
Highway planning and construction	20.205	BR NBIS 08 B(49)	25,690
Mississippi Department of Public Safety			
Alcohol open container requirements	20.607	15YAL-ST-2016-ST-14-91	3,560
Alcohol open container requirements	20.607	15YAL-ST-2016-ST-14-91	33,424
Subtotal			<u>36,984</u>
Total U.S. Department of Transportation			<u>62,674</u>
Appalachian Regional Commission (Direct)			
Appalachian area development	23.002	MS-18445	160,486
Appalachian Regional Commission/ Passed-through the Mississippi Development Authority, Community Services Division			
Appalachian area development	23.002	MS-18512	<u>17,490</u>
Total Appalachian Regional Commission			<u>177,976</u>
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency			
Disaster Grants-Public Assistance (Presidentially declared disasters)*	97.036	097-99097-00	1,633,306
Emergency management performance grant	97.042	16EMPG	<u>17,314</u>
Total U.S. Department of Homeland Security			<u>1,650,620</u>
Total Expenditures of Federal Awards			<u>\$ 1,967,657</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

* Denotes major federal award program

MONTGOMERY COUNTY

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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, 2017
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 2,834,376	2,927,499	2,927,499	
Licenses, commissions and other receipts	158,962	151,753	151,753	
Fines and forfeitures	132,722	233,307	233,307	
Intergovernmental receipts	257,933	498,442	498,442	
Interest income	16,600	9,811	9,811	
Miscellaneous receipts	156,732	159,758	159,758	
Total Receipts	<u>3,557,325</u>	<u>3,980,570</u>	<u>3,980,570</u>	<u>0</u>
DISBURSEMENTS				
Current:				
General government	2,185,664	2,023,510	2,023,510	
Public safety	927,286	918,982	918,982	
Public works	18,010	18,000	18,000	
Health and welfare	136,245	99,480	99,480	
Culture and recreation	20,725			
Education		135,120	135,120	
Conservation of natural resources	83,363	83,494	83,494	
Economic development and assistance	100,966	71,066	71,066	
Debt service:				
Principal		60,070	60,070	
Interest		42,544	42,544	
Total Disbursements	<u>3,472,259</u>	<u>3,452,266</u>	<u>3,452,266</u>	<u>0</u>
Excess of Receipts over (under) Disbursements	<u>85,066</u>	<u>528,304</u>	<u>528,304</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Transfers in	330,181			
Transfers out	(580,881)	(278,943)	(278,943)	
Total Other Cash Sources and Uses	<u>(250,700)</u>	<u>(278,943)</u>	<u>(278,943)</u>	<u>0</u>
Net Change in Fund Balance	(165,634)	249,361	249,361	
Fund Balances - Beginning	<u>1,851,103</u>	<u>2,238,740</u>	<u>2,238,740</u>	
Fund Balances - Ending	<u>\$ 1,685,469</u>	<u>2,488,101</u>	<u>2,488,101</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, 2017
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 435,713	471,831	471,831	
Road and bridge privilege taxes	106,000	132,065	132,065	
Intergovernmental receipts	496,000	2,585,087	2,585,087	
Charges for services				
Interest income		1,204	1,204	
Miscellaneous receipts	6,500	33,433	33,433	
Total Receipts	<u>1,044,213</u>	<u>3,223,620</u>	<u>3,223,620</u>	<u>0</u>
DISBURSEMENTS				
Current:				
Public works	<u>1,182,309</u>	<u>3,758,400</u>	<u>3,758,400</u>	
Total Disbursements	<u>1,182,309</u>	<u>3,758,400</u>	<u>3,758,400</u>	<u>0</u>
Excess (deficiency) of Receipts over (under) Disbursements	<u>(138,096)</u>	<u>(534,780)</u>	<u>(534,780)</u>	<u>0</u>
Net Change in Fund Balance	(138,096)	(534,780)	(534,780)	
Fund Balances - Beginning	<u>1,200,765</u>	<u>1,734,917</u>	<u>1,734,917</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,062,669</u>	<u>1,200,137</u>	<u>1,200,137</u>	<u>0</u>

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

Montgomery County
Schedule of Interfund Loans
For the Year Ended September 30, 2017
UNAUDITED

The following is a summary of interfund balances at September 30, 2017:

Due from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other governmental funds	General	\$ 6,627
Other governmental funds	Other governmental funds	<u>25,690</u>
		<u>\$ 32,317</u>

These amounts payable resulted from posting receipts in the wrong fund.

MONTGOMERY COUNTY
Schedule of Capital Assets
For the Year Ended September 30, 2017
UNAUDITED

Governmental activities:

	Balance Oct. 1, 2016	Additions	Deletions	Balance Sept. 30, 2017
Land	\$ 211,973			211,973
Construction in progress	334,997	959,883		1,294,880
Infrastructure	9,714,318			9,714,318
Buildings	5,651,612			5,651,612
Mobile equipment	3,672,672	516,529	39,411	4,149,790
Furniture and equipment	551,538			551,538
Total capital assets	\$ 20,137,110	1,476,412	39,411	21,574,111

MONTGOMERY COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2017
UNAUDITED

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2017:

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2016	Principal Payments	Balance Sept. 30, 2017
Governmental Activities:						
A. General Obligation Bonds:						
Coliseum stalls	11/2008	10/2022	4.25%	\$ 105,000	105,000	-
DHS Justice Court building	03/2010	03/2024	4.10%	255,000	28,000	227,000
General obligation public improvement bonds	03/2014	02/2034	3.00/4.00%	930,000	40,000	890,000
B. Other Loans:						
MDA Cap Loan - Mental Health building	06/2003	05/2022	3.00%	40,054	6,879	33,175
MDA Cap Loan - Screw Conveyor	06/2012	06/2032	3.00%	297,288	13,191	284,097
Total				\$ 1,627,342	193,070	1,434,272

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, 2017
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
Ryan Wood	Chancery Clerk	The Ohio Casualty Insurance Company	\$100,000
Ryan Wood	Purchase Clerk	The Ohio Casualty Insurance Company	\$75,000
Terri L. Wilson	Receiving Clerk	Western Surety Company	\$75,000
Laura Ables	Assistant Receiving Clerk	The Ohio Casualty Insurance Company	\$50,000
Brandy Holley	Assistant Receiving Clerk	The Ohio Casualty Insurance Company	\$50,000
Ryan Wood	Inventory Control Clerk	The Ohio Casualty Insurance Company	\$75,000
Ashly Eldridge	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
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
Charles M. Burrell	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	The Ohio Casualty Insurance Company	\$50,000
Barry Gregg	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	The Ohio Casualty Insurance Company	\$50,000
Ryan Smith	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	State Automobile Mutual Insurance Company	\$50,000
Shawn Ware	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	The Ohio Casualty Insurance Company	\$50,000
Bailey Lott	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	The Ohio Casualty 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	\$50,000
Tilford Robinson	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Jennifer Johnson	Deputy Justice Court Clerk	The Ohio Casualty Insurance 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

Notes to the Other Information
For the Year Ended September 30, 2017
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, 2017, the amount of outstanding debt was equal to 1.68% 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
SHAD WHITE
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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 8, 2018. 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2017-001, 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, and 2017-007 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 August 8, 2018, 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 Auditees Corrective Action Plan. 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

August 8, 2018



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Members of the Board of Supervisors
Montgomery County, Mississippi

Report on Compliance for the Major Federal Program

We have audited Montgomery County, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Montgomery County, Mississippi's major federal program for the year ended September 30, 2017. Montgomery County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Montgomery County, Mississippi's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Montgomery County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on the Disaster Grants-Public Assistance Program

As described in the accompanying Schedule of Findings and Questioned Costs, Montgomery County, Mississippi did not comply with a requirement regarding CFDA 97.036 Disaster Grants-Public Assistance (Presidentially declared disasters) as described in the finding number 2018-008 for Cash Management. Compliance with such requirement is necessary, in our opinion, for Montgomery County, Mississippi to comply with the requirements applicable to that program.

Qualified Opinion on the Disaster Grants-Public Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Montgomery County, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 97.036 Disaster Grants-Public Assistance (Presidentially declared disasters) for the year ended September 30, 2017.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-008 that we considered to be a material weakness.

Montgomery County Mississippi's response to the internal control over compliance finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. Montgomery County, Mississippi's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

August 8, 2018



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
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, 2017. 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.

Board of Supervisors.

1. Emergency purchases should be documented on the board's minutes.

Repeat Finding No

Criteria Section 31-7-13(k), Miss. Code Ann. (1972), requires the Board of Supervisors to approve and document emergency purchases on its minutes. The documentation should include a description of the commodity purchased, the price thereof and the nature and reason for the emergency.

Condition The Board of Supervisors did not document the approval of two emergency purchases.

Cause	Unknown
Effect	The lack of proper approval and documentation could result in unauthorized purchases.
Recommendation	The Board of Supervisors should approve and document in their minutes all emergency purchases.
Board of Supervisors' Response	We will comply.
2.	<u>Sole source items should be documented on the board's minutes.</u>
Repeat Finding	No
Criteria	Section 31-7-13(m) (viii), Miss. Code Ann. (1972), states sole source items are exempt from the bidding procedures. However, it requires the Board of Supervisors to approve and document the purchase of sole source items on its minutes. The documentation should include a description of the commodity purchased, the price thereof and the source from whom it was purchased.
Condition	The Board of Supervisors did not document the approval of the purchase of a sole source item on their minutes.
Cause	Unknown
Effect	The lack of proper approval and documentation could result in unauthorized purchases.
Recommendation	The Board of Supervisors should approve and document on their minutes the purchase of sole source items.
Board of Supervisors' Response	We will comply.
Purchase Clerk.	
3.	<u>The Purchase Clerk should obtain bids for necessary goods and services.</u>
Repeat Finding	Yes
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, to 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 test work, it was noted that two competitive written bids were not obtained for each purchase on four separate occasions. The total amount purchased on these four occasions was \$50,487.
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	This was due to a personnel issue that has been corrected. We will comply in the future.

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, 2017.

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 were not audited, and accordingly, we express no opinion on 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.

A handwritten signature in black ink, reading "Joe E. Mcknight". The signature is written in a cursive, flowing style.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

August 8, 2018

MONTGOMERY COUNTY

Schedule 1Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2017

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
12/2/2016	2 Trucks	\$ 230,400	Tri-State Truck Center	\$ 207,840	Increased durability of trucks and closer distance for repairs and maintenance.

MONTGOMERY COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2017

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
2/28/2017	Tires and repairs to stolen truck	\$ 11,140	Wilkerson's Diesel and Tire	To allow truck to be driven back without additional towing fees.
8/31/2017	Paving material	12,216	Ergon Asphalt and Emulsions	To avoid shutdown for the day on road work.

MONTGOMERY COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2017

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
9/29/2017	Soil Cement	\$ 23,128	Ash-Haulers Inc.



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
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, 2017, 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 August 8, 2018, 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 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.	<u>The Board of Supervisors did not specify the correct purpose for the countywide bond tax levy.</u>
Repeat Finding	Yes
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, 2017 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.

We verified the authority to levy the tax and the correctness of the amount levied; however, 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 the 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 error has been corrected.
Chancery Clerk.	
2.	<u>Board of Supervisors' minutes were not complete.</u>
Repeat Finding	Yes
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	Board minutes were not complete in representation to the activity of the Board proceedings throughout the year. Sole source and emergency purchase documentation was not included in the minutes.
Cause	Unknown
Effect	Failure to record the minutes could result in unlawful acts as there is no 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	We will comply.
3.	<u>The Chancery Clerk should submit monthly to the Board of Supervisors a written report that includes an itemized list of all expenditures charged to County credit cards during the month.</u>
Repeat Finding	No
Criteria	Section 19-3-68, Miss. Code Ann. (1972), specifies the requirements governing the use of a county credit card for travel. The Chancery Clerk or Purchase Clerk shall maintain complete records of all credit card numbers and all receipts and other documentation relating to the use of such credit cards. The supervisors and county employees shall furnish receipts for the use of such credit cards each month to the Chancery Clerk or Purchase Clerk, who shall submit a written report monthly to the Board of Supervisors. The report shall include an itemized list of all expenditures and use of the credit card for the month, and such expenditures may be allowed for payment by the county in the same manner as other items on the claims docket.
Condition	The Chancery Clerk did not submit any written reports related to credit card expenditures to the Board of Supervisors during the fiscal year ended September 30, 2017. Also, multiple charges, including some for late payment fees and interest, were never included in the claims docket and therefore were still unpaid at the time of audit.

Cause	Unknown
Effect	Failure to submit monthly a written report to the Board of Supervisors that includes all credit card charges for the month could result in unauthorized charges and excess penalty and interest charges not approved by the Board.
Recommendation	The Chancery Clerk should provide a written report of credit card charges each month to the Board of Supervisors, including any charges for late payment and interest. The report also should include any unpaid items from the previous month with an explanation for the lack of timely payment. A copy of the actual credit card statement should be included with the written report.
Chancery Clerk's Response	We were not aware of this requirement. The card is no longer in service.

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.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

August 8, 2018

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

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 deficiencies identified? None reported
3. Noncompliance material to the financial statements noted? No

Federal Awards:

4. Internal control over major federal programs:
 - a. Material weakness identified? Yes
 - b. Significant deficiency identified? None reported
5. Type of auditor's report issued on compliance for major federal programs: Qualified
6. Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes
7. Identification of major federal programs:
 - a. 97.036, Disaster Grants-Public Assistance (Presidentially declared disasters)
8. Dollar threshold used to distinguish between type A and type B programs: \$750,000
9. Auditee qualified as low-risk auditee? No
10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b)? No

MONTGOMERY COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2017-001. An adequate system of internal control over payroll procedures should be implemented.

Repeat Finding Yes, 2016-001

Criteria An effective system of internal control over the county payroll should include proper segregation of duties.

Condition As reported in the prior three years' audit reports, inadequate controls exist in the payroll function. One employee has control over the authorization, recordkeeping, and custody of payroll transactions.

Cause Unknown

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

Recommendation The Board of Supervisors should hire additional personnel, if feasible, to allow for adequate segregation of duties over payroll procedures.

Board of Supervisor's Response See Auditee's Corrective Action Plan.

Chancery Clerk.

Material Weakness

2017-002. Controls over cash collections and disbursements in the Chancery Clerk's office should be strengthened.

Repeat Finding Yes, 2016-002

Criteria An effective system of internal control should include an adequate segregation of duties.

Condition As reported in the prior six 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.

Cause Unknown

Effect Failure to have an adequate segregation of duties 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.

Chancery Clerk's Response See Auditee's Corrective Action Plan.

MONTGOMERY COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2017

Material Weakness

2017-003.	<u>Bank statements should be properly reconciled and have adequate supporting documentation.</u>
Repeat Finding	Yes, 2016-003
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: <ul style="list-style-type: none"> 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 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.
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	See Auditee's Corrective Action Plan.

Circuit Clerk.

Material Weakness

2017-004.	<u>Controls over cash collections and disbursements in the Circuit Clerk's office should be strengthened.</u>
Repeat Finding	Yes, 2016-004
Criteria	An effective system of internal control should include an adequate segregation of duties.
Condition	As reported in the prior six years' audit reports, cash collections 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.

MONTGOMERY COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

Circuit Clerk's Response	See Auditee's Corrective Action Plan.
Tax Assessor-Collector.	
Material Weakness	
2017-005.	<u>Controls over cash collections and disbursements in the Tax Assessor-Collector's office should be strengthened.</u>
Repeat Finding	Yes, 2016-005
Criteria	An effective system of internal control should include an adequate segregation of duties.
Condition	As reported in the prior six years' audit reports, cash collection and disbursement functions in the Tax Assessor-Collector's office are not adequately segregated for effective internal control. The Tax Assessor-Collector receipts cash, prepares deposits, posts to the cash journal, calculates the monthly settlements, 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 Assessor-Collector should implement a system for review of the accounting records by another person.
Tax Assessor-Collector's Response	See Auditee's Corrective Action Plan.
Material Weakness	
2017-006.	<u>The Tax Assessor-Collector applied an incorrect assessment value on a public utilities company.</u>
Repeat Finding	No
Criteria	The Mississippi Department of Revenue provides the Tax Assessor-Collector with assessed values for public utilities entities for each tax year, which should be used as a basis to calculate ad valorem taxes due the County from these companies.
Condition	The Tax Assessor-Collector erroneously included exempt amounts in the taxable value for a public utilities company, resulting in an incorrect (higher) ad valorem tax assessment for the company in the 2016 taxable year.
Cause	Unknown
Effect	Inaccurate assessment inputs could result in ad valorem taxes being over or under-collected.
Recommendation	The Tax Assessor-Collector should ensure that all exempt amounts are factored into her assessment calculations.
Tax Assessor-Collector's Response	See Auditee's Corrective Action Plan.

MONTGOMERY COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2017

Purchase Clerk.

Material Weakness

2017-007. An effective system of internal controls over cash disbursements should include controls to ensure that costs per vendor invoices are compared to the accepted bids, quotes, and contracts to ensure that the correct cost is paid by the County.

Repeat Finding No

Criteria Payments to vendors for products or services that are subject to a previously accepted bid, quote, or contract should always be compared with the original agreement for accuracy. Any discrepancies between the vendor invoice and original agreement should be resolved with the vendor before payment is remitted.

Condition We noted a payment to a vendor for services that was in excess of the vendor's contractual amount approved by the Board of Supervisors. The amount of overpayment was \$7,000.

Cause Unknown

Effect Failure to implement controls to verify that costs billed by vendors agree with accepted quotes, bids, and contracts could result in the County paying amounts in excess of those authorized.

Recommendation The Purchase Clerk should implement a system of internal control to ensure that the correct cost is paid for an item. Vendor invoices should be compared to accepted bids, quotes, or contracts before payment is remitted.

Purchase Clerk's Response See Auditee's Corrective Action Plan.

Section 3: Federal Award Findings and Questioned Costs

Cash Management

Material Weakness

Material Noncompliance

2017-008. Controls should be strengthened over cash management to ensure that the time elapsing from the receipt of federal funds to their disbursement is minimized.

CFDA Number 97.036

Federal Award 097-99097-00

Pass-through Yes
Questioned Costs None

Repeat Finding No

Statistically Valid No

Criteria The Code of Federal Regulations (2CFR section 200.305(b)) states that non-federal entities must minimize the time elapsing between the transfer of funds from the pass-through entity and disbursement by the non-Federal entity for direct program or project costs and the proportionate

MONTGOMERY COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

share of allowable indirect costs, whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants or payment by other means.

Condition	During the test work, we noted one instance where funds were drawn down from the pass-through entity 32 days prior to disbursement by the County.
Cause	Unknown
Effect	Failure to put procedures in place to ensure that time between draw down of funds and disbursement of funds could result in interest income, which would reduce future available funds.
Recommendation	We recommend the County implement procedures to ensure that the time between the transfer of funds from the pass-through entity and subsequent disbursement by the County is minimized to the greatest extent possible.
Board of Supervisors' Response	See Auditee's Corrective Action Plan.

MONTGOMERY COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

The Crossroads of Mississippi
EST. 1871

Ryan Wood, Chancery Clerk

*Purchase Clerk,
County Administrator
Inventory Clerk,
Comptroller*

614 Summit St
Winona, MS 38967
(P) 662-283-2333
(F) 662-283-2233

July 13, 2018

Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205

Gentlemen:

We have reviewed the audit finding below in reference to the Montgomery County 2017 fiscal year audit. Listed below is our response and plan for corrective action:

AUDIT FINDINGS:

2017-001 **An adequate system of internal control over payroll procedures should be implemented.**

Finding: As reported in the prior three years' audit reports, inadequate controls exist in the payroll function. One employee has control over the authorization, record-keeping, and custody of payroll transactions.

Response: At this time it is not feasible to hire additional full time personnel to perform these procedures. We do have a part-time employee that assists with these functions.

Corrective Action Plan: By having the part-time help mentioned above along with myself reviewing payroll functions each pay period these issues should be corrected.

Name of the contact person responsible for corrective action: Ryan Wood

Anticipated completion date for corrective action: 10-1-17

2017-002 **Controls over cash collections and disbursements in the Chancery Clerk's office should be strengthened.**

Finding: As reported in the prior six 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.

Response: Due to limited staff the segregation of duties is not possible. Additional procedures have been created to assist these internal controls.

Corrective Action Plan: By having the part-time help mentioned above along with myself reviewing receipting and disbursing functions these issues should be corrected.

Name of the contact person responsible for corrective action: Ryan Wood

Anticipated completion date for corrective action: 10-1-17

2017-003 **Bank statements should be properly recognized and have adequate supporting documentation.**

Finding: The following weaknesses were noted 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 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.

Response: We will comply.

Corrective Action Plan: After realizing this issue it was corrected.

Name of the contact person responsible for corrective action: Ryan Wood

Anticipated completion date for corrective action: 3-1-18

2017-004 **Controls over cash collections and disbursements in the Circuit Clerk's office should be strengthened.**

Finding: As reported in the prior six years' audit reports, cash collections 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, disburses the funds and reconciles the bank statements.

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 funds coming into this office. When making a deposit, she prints a "Deposit Report" which lists, among other things, a receipt number, the payor 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 payor of the funds received, 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.

Corrective Action Plan: I will discuss this matter with the Circuit Clerk and try to develop an action plan.

Name of the contact person responsible for corrective action: Ryan Wood

Anticipated completion date for corrective action: 8-1-18

2017-005 **Controls over cash collections and disbursements in the Tax Assessor-Collector's office should be strengthened.**

Finding: As reported in the prior six years' audit reports, cash collection and disbursement functions in the Tax-Assessor-Collector's office are not adequately segregated for effective internal control. The Tax-Assessor-Collector receipts cash, prepares deposits, posts to the cash journal, calculates the monthly settlements, reconciles the bank statements, and disburses all funds.

Response: I will comply as best that I can.

Corrective Action Plan: I will discuss this matter with the Tax Assessor and try to develop an action plan.

Name of the contact person responsible for corrective action: Ryan Wood

Anticipated completion date for corrective action: 8-1-18

2017-006 **The Tax Assessor-Collector applied an incorrect assessment value on a public utilities company.**

Finding: The Tax Assessor-Collector erroneously included exempt amounts in the taxable value for a public utilities company, resulting in incorrect (higher) ad valorem tax assessment for the company in the 2016 taxable year.

Response: I will comply as best that I can.

Corrective Action Plan: I will discuss this matter with the Tax Assessor and help create some controls to prevent this issue from happening in the future.

Name of the contact person responsible for corrective action: Ryan Wood

Anticipated completion date for corrective action: 8-1-18

2017-007 **An effective system of internal controls over cash disbursements should include controls to ensure that costs per vendor invoices are compared to the accepted bids, quotes, and contracts to ensure that the correct cost is paid by the County.**

Finding: A payment was noted to a vendor for services that was in excess of the vendor's contractual amount approved by the Board of Supervisors. The amount of the overpayment was \$7,000.

Response: Procedures have been established to prevent this type of issue from reoccurring.

Corrective Action Plan: This has been discussed with the Vendor and we are waiting on a refund.

Name of the contact person responsible for corrective action: Ryan Wood

Anticipated completion date for corrective action: 7-13-18

2017-008 **Controls should be strengthened over cash management to ensure that the time elapsing from the receipt of federal funds to their disbursement is minimized.**

Compliance
Requirement

Cash Management

CFDA Number(s)

97.036 Disaster Grants-Public Assistance (Presidentially declared disasters)

Response:

We were not aware of this requirement. MEMA, being the pass-through entity, should be required to explain this to their applicants. It is their duty to assist the local entities in times of emergency need.

Corrective Action Plan: In the future we will be aware of this requirement and provide controls to ensure the payment is made properly.

Name of the contact person responsible for corrective action: Ryan Wood

Anticipated completion date for corrective action: 3-1-18