

MONTGOMERY COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2021



SHAD WHITE
STATE AUDITOR

Stephanie C. Palmertree, CPA
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Director, County Audit Section



A Report from the County Audit Section

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

Shad White
AUDITOR

January 23, 2023

Members of the Board of Supervisors
Montgomery County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2021 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", is written over a horizontal line.

Shad White

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, 2021, 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, 2021, 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, 2021, 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 Other Information

The Budgetary Comparison Schedules, Schedule of Interfund Loans and Advances, 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 January 23, 2023 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.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

January 23, 2023

MONTGOMERY COUNTY

FINANCIAL STATEMENTS

MONTGOMERY COUNTY

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MONTGOMERY COUNTY
Statement of Net Position - Cash Basis
September 30, 2021

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ 6,986,772
Total Assets	<u>\$ 6,986,772</u>
NET POSITION	
Restricted:	
Expendable:	
General government	\$ 311,244
Public safety	85,739
Public works	3,185,012
Health and welfare	315,867
Economic development and assistance	500
Debt service	66,891
Unemployment compensation	13,982
Unrestricted	<u>3,007,537</u>
Total Net Position	<u>\$ 6,986,772</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, 2021

Exhibit 2

Functions/Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,383,354	275,434	16,573		(2,091,347)
Public safety	1,446,536	192,959	211,420		(1,042,157)
Public works	2,432,838	358,848	2,535,456	37,443	498,909
Health and welfare	112,003		14,971		(97,032)
Culture and recreation	125,587		148,338		22,751
Conservation of natural resources	81,026				(81,026)
Economic development and assistance	911,138				(911,138)
Debt service:					
Principal	179,019				(179,019)
Interest	56,978				(56,978)
Total Governmental Activities	<u>\$ 7,728,479</u>	<u>827,241</u>	<u>2,926,758</u>	<u>37,443</u>	<u>(3,937,037)</u>
General receipts:					
Property taxes				\$	4,338,631
Road & bridge privilege taxes					159,316
Grants and contributions not restricted to specific programs					283,926
Unrestricted interest income					128,129
Miscellaneous					350,152
Sale of county property					108,220
Total General Receipts and Other Cash Sources					<u>5,368,374</u>
Changes in Net Position					1,431,337
Net Position - Beginning					<u>5,555,435</u>
Net Position - Ending				\$	<u><u>6,986,772</u></u>

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

MONTGOMERY COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
September 30, 2021

Exhibit 3

	Major Funds			Other	Total
	General	American	Unit System	Governmental	Governmental
	Fund	Rescue Plan	Road and Bridge	Funds	Funds
		Act Fund	Maintenance Fund		
ASSETS					
Cash	\$ 2,709,995	952,830	1,110,387	2,213,560	6,986,772
Total Assets	\$ 2,709,995	952,830	1,110,387	2,213,560	6,986,772
FUND BALANCES					
Restricted for:					
General government	\$			311,244	311,244
Public safety				85,739	85,739
Public works		952,830	1,110,387	1,121,795	3,185,012
Health and welfare				315,867	315,867
Economic development and assistance				500	500
Debt service				66,891	66,891
Unemployment compensation				13,982	13,982
Committed to:					
Public safety				27,793	27,793
Assigned to:					
Culture and recreation				269,749	269,749
Unassigned	2,709,995				2,709,995
Total Fund Balances	\$ 2,709,995	952,830	1,110,387	2,213,560	6,986,772

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, 2021

	Major Funds			Other	Total
	General	American	Unit System	Governmental	Governmental
	Fund	Rescue Plan	Road and Bridge	Funds	Funds
		Act Fund	Maintenance Fund		
RECEIPTS					
Property taxes	\$ 3,109,594		504,316	724,721	4,338,631
Road and bridge privilege taxes			159,316		159,316
Licenses, commissions and other receipts	114,372			3,869	118,241
Fines and forfeitures	167,555			12,380	179,935
Intergovernmental receipts	512,872	949,574	577,673	1,208,008	3,248,127
Charges for services				529,065	529,065
Interest income	69,535	3,256	18,574	36,764	128,129
Miscellaneous receipts	192,070		120,049	38,033	350,152
Total Receipts	4,165,998	952,830	1,379,928	2,552,840	9,051,596
DISBURSEMENTS					
General government	2,211,907			171,447	2,383,354
Public safety	1,015,921			430,615	1,446,536
Public works	13,500		1,159,512	1,259,826	2,432,838
Health and welfare	106,103			5,900	112,003
Culture and recreation				125,587	125,587
Conservation of natural resources	81,026				81,026
Economic development and assistance	908,638			2,500	911,138
Debt service:					
Principal	67,326		54,272	57,421	179,019
Interest	36,210		7,746	13,022	56,978
Total Disbursements	4,440,631	0	1,221,530	2,066,318	7,728,479
Excess (Deficiency) of Receipts over (under) Disbursements	(274,633)	952,830	158,398	486,522	1,323,117
OTHER CASH SOURCES (USES)					
Sale of county property			108,220		108,220
Transfers in				293,054	293,054
Transfers out	(290,692)			(2,362)	(293,054)
Total Other Cash Sources and Uses	(290,692)	0	108,220	290,692	108,220
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	(565,325)	952,830	266,618	777,214	1,431,337
Cash Basis Fund Balances - Beginning	3,275,320		843,769	1,436,346	5,555,435
Cash Basis Fund Balances - Ending	\$ 2,709,995	952,830	1,110,387	2,213,560	6,986,772

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

MONTGOMERY COUNTY
Statement of Fiduciary Net Position - Cash Basis
September 30, 2021

Exhibit 5

	<u>Custodial Funds</u>
ASSETS	
Cash	\$ _____
Total Assets	\$ <u> 0</u>
NET POSITION	
Restricted for:	
Individuals, organizations and other governments	\$ _____
Total Net Position	<u> 0</u>

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

MONTGOMERY COUNTY
Statement of Changes in Fiduciary Net Position - Cash Basis
For the Year Ended September 30, 2021

Exhibit 6

	<u>Custodial Funds</u>
CASH ADDITIONS	
Tax collections for other governments	317,499
Licenses and fees collected for State	\$ <u>256,561</u>
Total Additions	<u>574,060</u>
CASH DEDUCTIONS	
Payments of tax to other governments	317,499
Payments of licenses and fees to State	<u>262,467</u>
Total Deductions	<u>579,966</u>
Changes in Fiduciary Net Position	(5,906)
Net Position - Beginning	<u>5,906</u>
Net Position - Ending	\$ <u><u>0</u></u>

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

MONTGOMERY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2021

(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

MONTGOMERY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2021

services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other receipts not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which 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, 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.

American Rescue Plan Act Fund - This fund is used to account for the monies received from the federal government to assist with the economic impact caused by Covid-19.

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific cash sources that are restricted or committed to disbursement for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to disbursement for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to disbursement for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

MONTGOMERY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2021

FIDUCIARY FUND TYPE

Custodial Funds - Custodial Funds are used to report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

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.

MONTGOMERY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2021

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

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

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

Fund Balance Flow Assumption:

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 Governmental Accounting Standards Board issued GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* in May 2020. The objective of this Statement was to provide temporary relief to governments in light of the COVID-19 pandemic by postponing effective dates of certain Statements and Implementation Guides. The effective dates of GASB 83-84, GASB 88-93, and Implementation Guides No. 2017-3, 2018-1, 2019-1, and 2019-2 were postponed one year. The effective dates of GASB 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, were postponed eighteen months.

MONTGOMERY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2021

GASB 84, *Fiduciary Activities*, was implemented during fiscal year 2021. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds.

(2) Fund Reclassification (Accounting Change).

Effective October 1, 2020, and in accordance with the implementation of GASB Statement No. 84, the Payroll Clearing Fund, previously reported as a Fiduciary Fund, was reclassified and reported in the General Fund. Therefore, the County has adjusted beginning fund balance/net position for the General Fund and Governmental Activities in the amount of \$0.

For the Fiduciary Fund Custodial Activities, the County has treated the beginning of the year net position of (\$5,906) as having been recognized in the period incurred. The County has adjusted beginning net position for their fiduciary funds from \$0 to (\$5,906).

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2021, was \$6,986,772 and the bank balance was \$7,948,307. 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, *Mississippi Code of 1972 Annotated*. 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.

(4) Interfund Transfers.

The following is a summary of interfund transfers at September 30, 2021:

Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 290,692
Other Governmental Funds	Other Governmental Funds	2,362
Total		<u>\$ 293,054</u>

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

MONTGOMERY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2021

(5) 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, 2021, to January 1, 2022. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(6) Other Postemployment Benefits.

Plan Description

The Montgomery County Board of Supervisors administers the County's health insurance plan which is authorized by Section 25-15-101, *Mississippi Code of 1972 Annotated*. 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 75 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 of 1972 Annotated*, 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, 2021, retiree premiums are \$465. 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.

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 2021, retiree and beneficiaries receiving benefits contributed \$11,773 in the form of insurance premium payments.

(7) 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.

MONTGOMERY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2021

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.

(8) 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 ending in the fiscal year 2022. Montgomery County contributed \$20,338 in the fiscal year 2021.

(9) Joint Venture.

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, *Mississippi Code of 1972 Annotated*, 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 \$13,500 for maintenance and support of the airport in fiscal year 2021. Financial statements for the Winona-Montgomery County Airport Authority were not available.

(10) 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 2021.

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 \$47,482 for the maintenance and support of the district in fiscal year 2021.

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 \$145,545 for maintenance and support of the college in fiscal year 2021.

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 \$171,954 for maintenance and support of the library in fiscal year 2021.

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 2021.

MONTGOMERY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2021

(11) 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 Section 25-11-1 *Mississippi Code of 1972 Annotated* 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, 2021, 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, 2021 was 17.40% 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, 2021, 2020 and 2019 were \$342,214, \$335,317 and \$316,033 respectively, equal to the required contributions for each year.

MONTGOMERY COUNTY

OTHER INFORMATION

MONTGOMERY COUNTY

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MONTGOMERY COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2021
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 3,069,782	3,109,594	3,109,594	
Licenses, commissions and other receipts	174,962	114,372	114,372	
Fines and forfeitures	132,722	167,555	167,555	
Intergovernmental receipts	302,470	512,872	512,872	
Interest income	16,600	69,535	69,535	
Miscellaneous receipts	156,732	192,070	192,070	
Total Receipts	<u>3,853,268</u>	<u>4,165,998</u>	<u>4,165,998</u>	<u>0</u>
DISBURSEMENTS				
Current:				
General government	2,401,726	2,211,907	2,211,907	
Public safety	915,112	1,015,921	1,015,921	
Public works	18,010	13,500	13,500	
Health and welfare	143,745	106,103	106,103	
Culture and recreation	20,705			
Conservation of natural resources	93,070	81,026	81,026	
Economic development and assistance	103,966	908,638	908,638	
Debt service:				
Principal		67,326	67,326	
Interest		36,210	36,210	
Total Disbursements	<u>3,696,334</u>	<u>4,440,631</u>	<u>4,440,631</u>	<u>0</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>156,934</u>	<u>(274,633)</u>	<u>(274,633)</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Transfers out		(290,692)	(290,692)	
Other financing sources	330,181			
Other financing uses	(574,561)			
Total Other Cash Sources and Uses	<u>(244,380)</u>	<u>(290,692)</u>	<u>(290,692)</u>	<u>0</u>
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	<u>(87,446)</u>	<u>(565,325)</u>	<u>(565,325)</u>	
Cash Basis Fund Balances - Beginning	<u>3,205,000</u>	<u>3,275,320</u>	<u>3,275,320</u>	
Cash Basis Fund Balances - Ending	<u>\$ 3,117,554</u>	<u>2,709,995</u>	<u>2,709,995</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)
 American Rescue Plan Act Fund
 For the Year Ended September 30, 2021
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental receipts	\$	949,574	949,574	
Interest income		3,256	3,256	
Total Receipts	<u>0</u>	<u>952,830</u>	<u>952,830</u>	<u>0</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>0</u>	<u>952,830</u>	<u>952,830</u>	<u>0</u>
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	0	952,830	952,830	
Cash Basis Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Basis Fund Balances - Ending	<u>\$ 0</u>	<u>952,830</u>	<u>952,830</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, 2021
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 476,187	504,316	504,316	0
Road and bridge privilege taxes	106,000	159,316	159,316	0
Intergovernmental receipts	496,000	577,673	577,673	0
Interest income		18,574	18,574	0
Miscellaneous receipts	6,500	120,049	120,049	0
Total Receipts	<u>1,084,687</u>	<u>1,379,928</u>	<u>1,379,928</u>	<u>0</u>
DISBURSEMENTS				
Current:				
Public works	1,190,939	1,159,512	1,159,512	0
Debt service:				
Principal		54,272	54,272	0
Interest		7,746	7,746	0
Total Disbursements	<u>1,190,939</u>	<u>1,221,530</u>	<u>1,221,530</u>	<u>0</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>(106,252)</u>	<u>158,398</u>	<u>158,398</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Sale of county property		108,220	108,220	0
Total Other Cash Sources and Uses	<u>0</u>	<u>108,220</u>	<u>108,220</u>	<u>0</u>
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	<u>(106,252)</u>	<u>266,618</u>	<u>266,618</u>	<u>0</u>
Cash Basis Fund Balances - Beginning	<u>800,000</u>	<u>843,769</u>	<u>843,769</u>	<u>0</u>
Cash Basis Fund Balances - Ending	<u>\$ 693,748</u>	<u>1,110,387</u>	<u>1,110,387</u>	<u>0</u>

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

MONTGOMERY COUNTY
Schedule of Interfund Loans and Advances
For the Year Ended September 30, 2021
UNAUDITED

The following is a summary of interfund balances at September 30, 2021:

A. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Balance at Sept. 30, 2021</u>
Unit System Road and Bridge Maintenance Fund	General Fund	\$ 12,826
Other Governmental Funds	Other Governmental Funds	7,476
Other Governmental Funds	Custodial Funds	<u>8,249</u>
Total		<u>\$ 28,551</u>

The amounts due represent prior year errors in posting receipts to incorrect funds.

MONTGOMERY COUNTY
Schedule of Capital Assets
For the Year Ended September 30, 2021
UNAUDITED

Governmental activities:

	Balance Oct. 1, 2020	Additions	Deletions	Adjustments	Balance Sept. 30, 2021
Land	\$ 194,273		50,000	7,700	151,973
Construction in progress	111,919	455,971		(455,971)	111,919
Infrastructure	11,877,016			455,971	12,332,987
Buildings	5,651,612				5,651,612
Mobile equipment	3,794,779	348,522	15,000	476,000	4,604,301
Furniture and equipment	588,486	50,000			638,486
Leased property under capital leases	476,000			(202,000)	274,000
Total capital assets	\$ 22,694,085	854,493	65,000	281,700	23,765,278

* Adjustments are to reflect certain routine reclassifications of completed construction in progress to infrastructure and to correct classification errors in the prior year in land, mobile equipment and leased property under capital leases.

MONTGOMERY COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2021
UNAUDITED

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2021:

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2020	Principal Payments	Balance Sept. 30, 2021
Governmental Activities:						
A. General Obligation Bonds:						
DHS Justice Court Building	03/2010	03/2024	4.10% \$	137,000	32,000	105,000
General obligation public improvement bonds	03/2014	03/2034	3.00/3.75%	770,000	45,000	725,000
B. Capital Leases:						
Caterpillar motor grater	12/2018	12/2023	4.89%	90,674	27,136	63,538
Caterpillar motor grater	12/2018	12/2023	4.89%	90,674	27,136	63,538
C. Other Loans:						
MDA Cap Loan - Mental Health Building	06/2003	05/2022	3.00%	12,327	7,202	5,125
MDA Cap Loan - Screw Conveyor	06/2012	05/2035	3.00%	246,191	15,124	231,067
Promissory Note	07/2020	07/2025	2.50%	<u>128,778</u>	<u>25,421</u>	<u>103,357</u>
Total				\$ <u>1,475,644</u>	<u>179,019</u>	<u>1,296,625</u>

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

MONTGOMERY COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2021
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
Ronald White	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	\$100,000
Catherine Brock	Receiving Clerk	Western Surety Company	\$75,000
Laura Ables	Assistant Receiving Clerk	The Ohio Casualty Insurance Company	\$50,000
Ryan Wood	Inventory Control Clerk	The Ohio Casualty Insurance Company	\$75,000
Ashly Eldridge	Assistant Inventory Control Clerk	Western Surety 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
Robert Jeffry Tompkins	Sheriff	Western Surety Company	\$100,000
Jay Bennett	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety Company	\$50,000
Kelvin Lee	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety Company	\$50,000
Mark Beck	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety Company	\$50,000
Jody Windham	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety Company	\$50,000
Adam Eubanks	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety 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
Laurie M. Lockett	Tax Assessor-Collector	Western Surety Company	\$100,000
Sharon Pyron	Deputy Tax Collector	The Ohio Casualty Insurance Company	\$50,000
Mary Brianna Bailey	Deputy Tax Collector	State Automobile Mutual Insurance Company	\$50,000
Monica S. Turner	Deputy Tax Collector	Western Surety Company	\$50,000

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

Notes to Other Information
For the Year Ended September 30, 2021

(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, 2021, the amount of outstanding debt was equal to 1.17% of the latest property assessments.

B. Subsequent Events.

Subsequent to September 30, 2021, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
4/1/2023	2.00%	\$2,500,000	Promissory Note	Ad valorem taxes

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 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, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 23, 2023. 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) as a basis for designing 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 Responses as 2021-001, 2021-002, 2021-003 and 2021-004 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 financial statements. 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 a certain matter that we reported to the management of Montgomery County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated January 23, 2023, included within this document.

Montgomery County's Responses to Findings

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

Purpose of this Report

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

January 23, 2023



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, *MISSISSIPPI CODE OF 1972 ANNOTATED*)**

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, *Mississippi Code of 1972 Annotated* and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, *Mississippi Code of 1972 Annotated* during the year ended September 30, 2021. 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.

In our opinion, Montgomery County, Mississippi complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2021.

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, *Mississippi Code of 1972 Annotated*. The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of 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 with a long horizontal stroke at the end.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

January 23, 2023

MONTGOMERY COUNTY

Schedule 1Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2021

<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>
11/23/2020	Clay gravel	\$ 6.80/ton	APAC	\$ 2.83/ton	Quality issues
01/26/2021	Cold mix	140.00/ton	Lehman-Roberts	115.00/ton	Quality issues
03/11/2021	Grader blades	94.50/each	G&O Supply	85.75/each	Cannot supply
03/25/2021	Cold mix	140.00/ton	Lehman-Roberts	115.00/ton	Quality issues
05/17/2021	Clay gravel	4.00/ton	Townes Construction	2.67/ton	Quality and distance
06/11/2021	Cold mix	140.00/ton	Lehman-Roberts	115.00/ton	Quality issues
07/01/2021	Cold mix	140.00/ton	Lehman-Roberts	115.00/ton	Quality issues
07/09/2021	Cold mix	140.00/ton	Lehman-Roberts	115.00/ton	Quality issues
08/10/2021	Clay gravel	4.00/ton	Townes Construction	2.67/ton	Quality and distance
09/02/2021	Clay gravel	4.00/ton	Townes Construction	2.67/ton	Quality and distance
09/15/2021	Clay gravel	7.37/ton	APAC	2.67/ton	Quality issues
09/16/2021	Clay gravel	4.00/ton	Townes Construction	2.67/ton	Quality and distance

MONTGOMERY COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2021

Schedule 2

Our tests did not identify any emergency purchases.

MONTGOMERY COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2021

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
10/12/2020	Slag	\$ 10,000	Golden Triangle Mill Service
11/20/2020	Slag	10,000	Golden Triangle Mill Service
01/04/2021	Slag	20,000	Golden Triangle Mill Service
01/14/2021	Slag	4,494	Golden Triangle Mill Service
02/09/2021	Slag	4,494	Golden Triangle Mill Service
02/24/2021	Slag	4,494	Golden Triangle Mill Service
03/11/2021	Slag	4,494	Golden Triangle Mill Service
04/14/2021	Slag	4,494	Golden Triangle Mill Service
06/09/2021	Slag	10,500	Golden Triangle Mill Service
07/01/2021	Slag	4,800	Golden Triangle Mill Service
08/03/2021	4 in 1 tractor blade	6,093	Reveal 4 in 1 LLC
08/10/2021	Slag	4,800	Golden Triangle Mill Service
08/23/2021	Slag	4,800	Golden Triangle Mill Service

MONTGOMERY COUNTY

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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 cash basis financial statements of Montgomery County, Mississippi (the County) for the year ended September 30, 2021, 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 January 23, 2023, 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 the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with *Section 7-7-211, Mississippi Code of 1972 Annotated*, 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 a certain immaterial instance of noncompliance with state laws and regulations that is an opportunity for strengthening internal controls and operating efficiency. Our finding, recommendation, and your response is disclosed below:

1.	<u>Internal controls over settlements in the Sheriff's office should be strengthened.</u>
Repeat Finding	Yes
Criteria	An effective system of internal control over cash in the Sheriff's office should include timely deposits and monthly settlements of collections.
Condition	As reported in the prior year's audit report, monthly settlements were not being settled to the County in a timely manner. Also, we noted that collections were not deposited into the bank account in a timely manner.
Cause	Controls were not in place to ensure timely settlements and deposits.
Effect	Failure to implement adequate controls over collections in the Sheriff's office could result in the loss or misappropriation of public funds.

Recommendation The Sheriff should implement internal controls to ensure that settlements and deposits are made on a timely basis.

Views of Responsible
Official(s) I will comply.

Montgomery County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Joe E. McKnight", written in a cursive style.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

January 23, 2023

MONTGOMERY COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2021

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
American Rescue Plan Act Fund	Unmodified
Unit System Road and Bridge Maintenance Fund	Unmodified
Aggregate remaining fund information	Unmodified

2. Internal control over financial reporting:

a. Material weaknesses identified?	Yes
b. Significant deficiency identified?	None Reported

3. Noncompliance material to the financial statements noted? No

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2021-001. An adequate system of internal control over payroll procedures should be implemented.

Repeat Finding Yes

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

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

Cause The County lacked the necessary controls over payroll procedures.

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.

Views of Responsible Official(s) I will comply.

MONTGOMERY COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2021

Chancery Clerk.

Material Weakness

2021-002. Controls over cash collections and disbursements in the Chancery Clerk's office should be strengthened.

Repeat Finding Yes

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

Condition As reported in the prior ten years' audit reports, cash collections and disbursements functions are not adequately segregated for effective internal control. One employee receipts cash, prepares deposit slips, posts to the detailed general ledger, and disburses all funds.

Cause The Chancery Clerk lacks the controls necessary over cash collections and disbursements.

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.

Views of Responsible Official(s)

Due to limited staff and limited funds to hire additional staff, we are not able to properly segregate these duties. If funds become available in the future, additional staff will be considered.

Circuit Clerk.

Material Weakness

2021-003. Controls over cash collections and disbursements in the Circuit Clerk's office should be strengthened.

Repeat Finding Yes

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

Condition As reported in the prior ten 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 The Circuit Clerk lacks the controls necessary over cash collections and disbursements.

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 Responses
For the Year Ended September 30, 2021

**Views of Responsible
Official(s)**

With only two (2) individuals in this office, it is impossible to completely segregate responsibilities; however, as much as possible, we try to do so. As much as possible, my deputy clerk receipts and deposits the funds coming into this office. When making a deposit, she prints and hands to me 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 (from my deputy clerk) and the "Ending Balance" on the Cash Journal (which I print) must be the same. Thus, if the Report Total and Ending Balance are not the same, then I know there is a problem and further checking is done. My deputy clerk has limited access to the accounting system and does not have access to the Cash Journal.

Tax Assessor - Collector.

Material Weakness

2021-004. Controls over cash collections and disbursements in the Tax Assessor-Collector's office should be strengthened.

Repeat Finding Yes

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

Condition As reported in the prior ten 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 The Tax Assessor-Collector lacks the controls necessary over cash collections and disbursements.

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.

**Views of Responsible
Official(s)**

Without the funds to hire another employee it will be hard to comply but I will strive to find a solution.