

MONTGOMERY COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2007

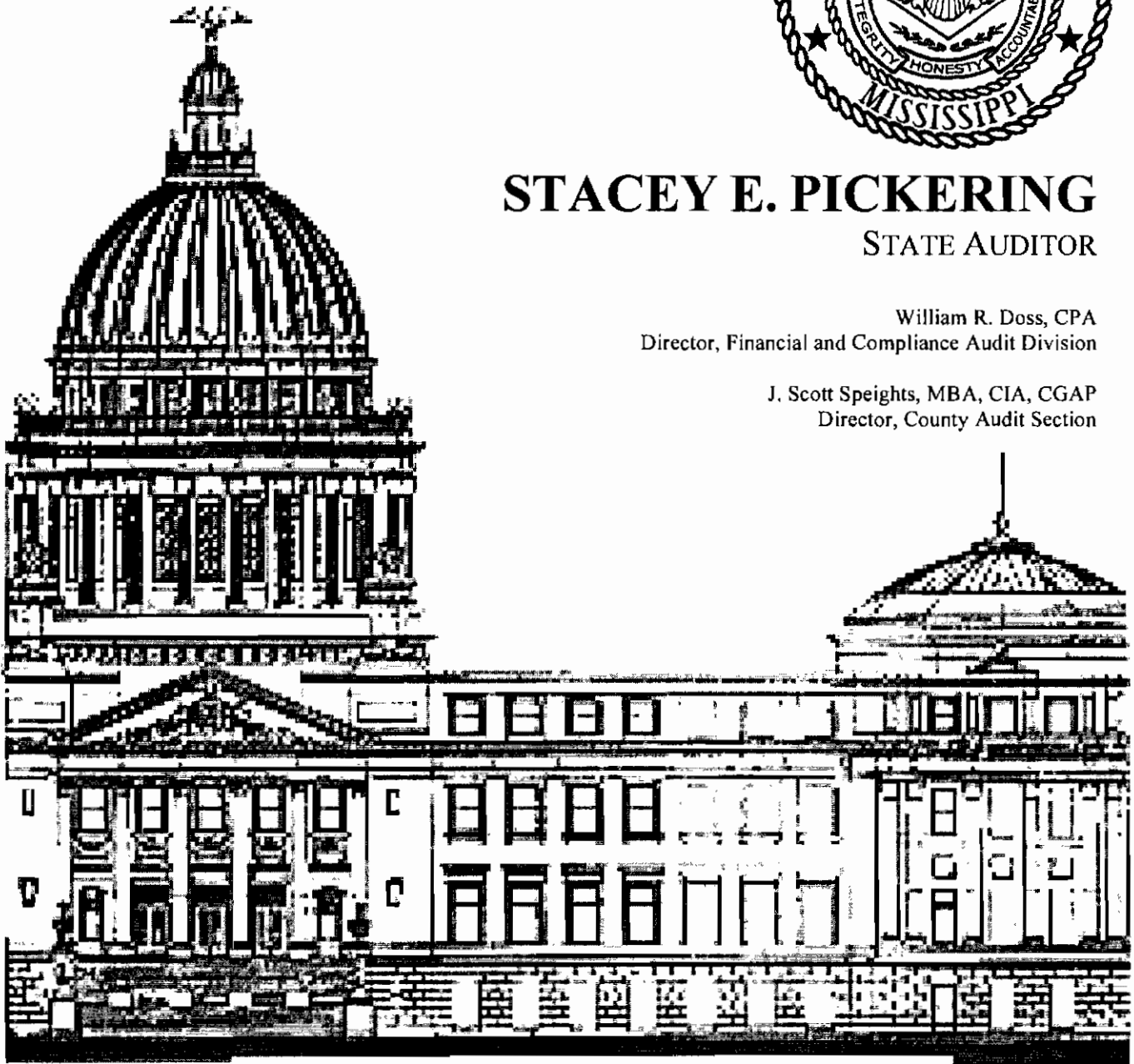


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

J. Scott Speights, MBA, CIA, CGAP
Director, County Audit Section



A Report from the County Audit Section

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MONTGOMERY COUNTY

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MONTGOMERY COUNTY

FINANCIAL SECTION

MONTGOMERY COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Montgomery County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Montgomery County, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the fourth and fifth paragraphs of this report, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America 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 assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

Management did not maintain adequate subsidiary records documenting the accounts receivable of solid waste user fees or the aging of these accounts receivable. Due to the nature of the county's records, we were unable to satisfy ourselves as to the fair presentation of accounts receivable, net, reported on the Statement of Net Assets and in the Other Governmental Funds at \$104,168, as of September 30, 2007. Also, because of the nature of the accounts receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the Other Governmental Funds.

Management did not maintain adequate subsidiary records documenting the fines receivable of the Circuit Court or the aging of the fines receivable. Due to the nature of the county's records, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported on the Statement of Net Assets and in the General Fund at \$489,813, as of September 30, 2007. Also, because of the nature of the fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the General Fund.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Montgomery County, Mississippi, as of September 30, 2007, or the changes in financial position thereof for the year then ended.

In our opinion, except for the effects of such adjustments if any, as might have been determined to be necessary had we been able to examine evidence to determine the net realizable value of solid waste accounts receivable for the Other Governmental Funds as described in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate remaining fund information for the primary government of Montgomery County, Mississippi, as of September 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of such adjustments if any, as might have been determined to be necessary had we been able to examine evidence to determine the net realizable value of the Circuit Court fines receivable for the General Fund as described in the fifth paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund for the primary government of Montgomery County, Mississippi, as of September 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence to determine the net realizable value of solid waste accounts receivable for the Other Governmental Funds described in the fourth paragraph and the Circuit Court fines receivable for the General Fund as described in the fifth paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities for the primary government of Montgomery County, Mississippi, as of September 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective position of the Unit System Road and Bridge Maintenance Fund and the State Aid Road Fund for the primary government of Montgomery County, Mississippi, as of September 30, 2007, and the respective changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2009, on our consideration of Montgomery County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

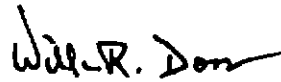
Montgomery County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



STACEY E. PICKERING
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 8, 2009

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

FINANCIAL STATEMENTS

MONTGOMERY COUNTY

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MONTGOMERY COUNTY
Statement of Net Assets
September 30, 2007

Exhibit I

	Primary Government <u>Governmental Activities</u>
ASSETS	
Cash	\$ 2,802,729
Accrued interest receivable	483
Property tax receivable	3,475,286
Accounts receivable (net of allowance for uncollectibles of \$61,298)	104,168
Fines receivable (net of allowance for uncollectibles of \$435,214)	489,813
Intergovernmental receivables	86,518
Other receivables	16,022
Capital assets:	
Land and construction in progress	801,047
Other capital assets, net	5,404,892
Total Assets	<u>13,180,958</u>
LIABILITIES	
Claims payable	144,016
Intergovernmental payables	80,689
Accrued interest payable	1,179
Deferred revenue	3,475,286
Other payables	5,398
Long-term liabilities	
Due within one year:	
Capital debt	53,021
Non-capital debt	4,228
Due in more than one year:	
Capital debt	313,539
Non-capital debt	2,925
Total Liabilities	<u>4,080,281</u>
NET ASSETS	
Invested in capital assets, net of related debt	5,839,379
Restricted:	
Expendable:	
General government	192,519
Debt service	65,017
Public safety	169,486
Public works	1,326,053
Health and welfare	195
Culture and recreation	32,679
Capital projects	114,746
Unrestricted	1,360,603
Total Net Assets	<u>\$ 9,100,677</u>

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

MONTGOMERY COUNTY
Statement of Activities
For the Year Ended September 30, 2007

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,038,983	436,155		49,093	(1,602,828)
Public safety	1,040,356	123,109	9,910		(858,244)
Public works	2,109,804	180,577	559,514	939,938	(429,775)
Health and welfare	193,653		33,048		(160,605)
Culture and recreation	58,217		17,530		(40,687)
Education	207				(207)
Conservation of natural resources	77,986				(77,986)
Economic development and assistance	147,293			25,000	(122,293)
Interest on long-term debt	35,504				(35,504)
Total Governmental Activities	<u>\$ 5,702,003</u>	<u>739,841</u>	<u>620,002</u>	<u>1,014,031</u>	<u>(3,328,129)</u>
General revenues:					
Property taxes				\$ 3,416,717	
Road & bridge privilege taxes				125,017	
Grants and contributions not restricted to specific programs				205,350	
Unrestricted interest income				124,273	
Miscellaneous				98,186	
Total General Revenues				<u>3,969,543</u>	
Changes in Net Assets				<u>641,414</u>	
Net Assets - Beginning				8,446,761	
Prior period adjustments				12,502	
Net Assets - Beginning, as restated				<u>8,459,263</u>	
Net Assets - Ending				<u>\$ 9,100,677</u>	

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

MONTGOMERY COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2007

Exhibit 3

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Unit System Road and Bridge Maintenance Fund	State Aid Road Fund		
ASSETS					
Cash	\$ 1,031,886	1,019,041	11,630	740,172	2,802,729
Accrued interest receivable	483				483
Property tax receivable	2,341,060	395,441		738,785	3,475,286
Accounts receivable (net of allowance for uncollectibles of \$61,298)				104,168	104,168
Fines receivable (net of allowance for uncollectibles of \$435,214)	489,813				489,813
Intergovernmental receivables	47,513		14,005	25,000	86,518
Other receivables	7,634			8,388	16,022
Due from other funds		15,755		13,977	29,732
Total Assets	<u>\$ 3,918,389</u>	<u>1,430,237</u>	<u>25,635</u>	<u>1,630,490</u>	<u>7,004,751</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 29,223	13,384	5,822	95,587	144,016
Intergovernmental payables	76,441				76,441
Due to other funds	33,953			27	33,980
Deferred revenue	2,830,873	395,441		842,953	4,069,267
Amounts held in custody for others	5,398				5,398
Total Liabilities	<u>2,975,888</u>	<u>408,825</u>	<u>5,822</u>	<u>938,567</u>	<u>4,329,102</u>
Fund balances:					
Reserved for:					
Debt service				66,196	66,196
Unreserved - undesignated, reported in:					
General Fund	942,501				942,501
Special Revenue Funds		1,021,412	19,813	559,064	1,600,289
Capital Project Funds				66,663	66,663
Total Fund Balances	<u>942,501</u>	<u>1,021,412</u>	<u>19,813</u>	<u>691,923</u>	<u>2,675,649</u>
Total Liabilities and Fund Balances	<u>\$ 3,918,389</u>	<u>1,430,237</u>	<u>25,635</u>	<u>1,630,490</u>	<u>7,004,751</u>

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

MONTGOMERY COUNTY

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2007Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,675,649
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$5,810,890.	6,205,939
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	593,981
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(373,713)
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,179)</u>
Total Net Assets - Governmental Activities	<u>\$ 9,100,677</u>

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

MONTGOMERY COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2007

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Unit System Road and Bridge Maintenance Fund	State Aid Road Fund		
REVENUES					
Property taxes	\$ 2,308,867	383,665		724,185	3,416,717
Road and bridge privilege taxes		125,017			125,017
Licenses, commissions and other revenue	179,589			5,622	185,211
Fines and forfeitures	189,484			12,015	201,499
Intergovernmental revenues	260,774	545,575	944,098	88,936	1,839,383
Charges for services				352,848	352,848
Interest income	116,904			7,369	124,273
Miscellaneous revenues	15,216	5,436		22,396	43,048
Total Revenues	<u>3,070,834</u>	<u>1,059,693</u>	<u>944,098</u>	<u>1,213,371</u>	<u>6,287,996</u>
EXPENDITURES					
Current:					
General government	1,838,676			169,380	2,008,056
Public safety	710,280			314,137	1,024,417
Public works	18,100	961,834	924,285	763,425	2,667,644
Health and welfare	117,852			72,651	190,503
Culture and recreation	36,635			21,582	58,217
Education	207				207
Conservation of natural resources	77,986				77,986
Economic development and assistance	100,909			25,000	125,909
Debt service:					
Principal	29,253	343,049		40,276	412,578
Interest	6,864	17,223		10,238	34,325
Total Expenditures	<u>2,936,762</u>	<u>1,322,106</u>	<u>924,285</u>	<u>1,416,689</u>	<u>6,599,842</u>
Excess of Revenues over (under) Expenditures	<u>134,072</u>	<u>(262,413)</u>	<u>19,813</u>	<u>(203,318)</u>	<u>(311,846)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets		354,907			354,907
Transfers in				186,441	186,441
Transfers out	(186,441)				(186,441)
Total Other Financing Sources and Uses	<u>(186,441)</u>	<u>354,907</u>	<u>0</u>	<u>186,441</u>	<u>354,907</u>
Net Changes in Fund Balances	(52,369)	92,494	19,813	(16,877)	43,061
Fund Balances - Beginning	<u>994,870</u>	<u>928,918</u>	<u>0</u>	<u>708,800</u>	<u>2,632,588</u>
Fund Balances - Ending	<u>\$ 942,501</u>	<u>1,021,412</u>	<u>19,813</u>	<u>691,923</u>	<u>2,675,649</u>

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

MONTGOMERY COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2007

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 43,061
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$874,114 exceeded depreciation of \$387,674 in the current period.	486,440
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$55,138 and the proceeds from the sale of \$354,907 in the current period.	(299,769)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(908)
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	1,191
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount of debt repayments.	412,578
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by the amount of the increase in accrued interest payable.	<u>(1,179)</u>
Change in Net Assets of Governmental Activities	<u>\$ 641,414</u>

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

MONTGOMERY COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2007

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 22,890
Due from other funds	4,248
Total Assets	<u>\$ 27,138</u>
LIABILITIES	
Intergovernmental payables	\$ 27,138
Total Liabilities	<u>\$ 27,138</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, 2007

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Montgomery County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require 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 conformity with accounting principles generally accepted in the United States of America.

- 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 Assets and a Statement of Activities and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities 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 revenues and other nonexchange revenues.

MONTGOMERY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

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

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental 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.

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

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

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

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

State Aid Road Fund - This fund is used to account for monies from specific revenue sources that are restricted for road and bridge maintenance and improvements.

MONTGOMERY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

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.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, 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). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

MONTGOMERY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

H. Capital Assets.

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Montgomery County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years

I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

MONTGOMERY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

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

Restricted net assets - Consists of net assets 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 assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

K. Property Tax Revenues.

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

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

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

MONTGOMERY COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

L. Intergovernmental Revenues in Governmental Funds.

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

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To correct errors in capital assets, net of depreciation	\$ 10,710
To correct errors in long-term capital debt	<u>1,792</u>
Total prior period adjustments	<u>\$ 12,502</u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2007, was \$2,825,619, and the bank balance was \$3,204,724. 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 Depository Insurance Corporation.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

MONTGOMERY COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2007:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Unit System Road and Bridge Maintenance	General Fund	\$ 15,755
Other Governmental Funds	General Fund	13,950
Other Governmental Funds	Other Governmental Funds	27
Agency Funds	General Fund	<u>4,248</u>
Total		<u>\$ 33,980</u>

The receivables represent the tax revenue collected but not settled until October, 2007, and posting errors. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	<u>\$ 186,441</u>

The principal purpose of interfund transfers was to provide funds for budgetary obligations or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2007, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 47,513
Home Program - CDBG	25,000
State Aid	<u>14,005</u>
Total Governmental Activities	<u>\$ 86,518</u>

MONTGOMERY COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2007:

Governmental activities:

	Balance Oct. 1, 2006	Additions	Deletions	Adjustments *	Balance Sept. 30, 2007
<u>Non-depreciable capital assets:</u>					
Land	\$ 233,123				233,123
Construction in progress	984,413	737,183		(1,153,672)	567,924
Total non-depreciable capital assets	<u>1,217,536</u>	<u>737,183</u>	<u>0</u>	<u>(1,153,672)</u>	<u>801,047</u>
<u>Depreciable capital assets:</u>					
Infrastructure	1,616,613	10,064		1,153,672	2,780,349
Buildings	4,965,180				4,965,180
Mobile equipment	3,416,140	111,873	454,785		3,073,228
Furniture and equipment	369,781	14,994		12,250	397,025
Total depreciable capital assets	<u>10,367,714</u>	<u>136,931</u>	<u>454,785</u>	<u>1,165,922</u>	<u>11,215,782</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	109,241	90,860			200,101
Buildings	3,013,296	29,249			3,042,545
Mobile equipment	2,150,334	215,040	155,016	(2,870)	2,207,488
Furniture and equipment	303,821	52,525		4,410	360,756
Total accumulated depreciation	<u>5,576,692</u>	<u>387,674</u>	<u>155,016</u>	<u>1,540</u>	<u>5,810,890</u>
Total depreciable capital assets, net	<u>4,791,022</u>	<u>(250,743)</u>	<u>299,769</u>	<u>1,164,382</u>	<u>5,404,892</u>
Governmental activities capital assets, net	<u>\$ 6,008,558</u>	<u>486,440</u>	<u>299,769</u>	<u>10,710</u>	<u>6,205,939</u>

* The adjustments are to transfer completed construction in progress to infrastructure and correct prior period adjustments.

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental Activities:</u>	
General government	\$ 37,167
Public safety	51,108
Public works	274,865
Health and welfare	3,150
Culture and recreation	21,384
Total governmental activities depreciation expense	<u>\$ 387,674</u>

MONTGOMERY COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(7) 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, 2007, to January 1, 2008. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Long-term Debt.

Debt outstanding as of September 30, 2007, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Multi-purpose building	\$ <u>145,000</u>	4.50/5.00%	03/2011
B. Other Loans:			
Computer hardware and land records software	\$ 7,153	4.50%	06/2009
MDA Cap loan - Multi-purpose building	133,180	3.00%	07/2014
MDA Cap loan - Mental health building	<u>88,380</u>	3.00%	05/2022
Total Other Loans	\$ <u>228,713</u>		

MONTGOMERY COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

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

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 35,000	6,252	22,249	5,416
2009	35,000	4,590	26,470	5,725
2010	35,000	2,875	24,261	4,960
2011	40,000	1,000	24,999	4,221
2012			25,760	3,462
2013 - 2017			71,671	8,348
2018 - 2022			33,303	2,327
Total	\$ <u>145,000</u>	<u>14,717</u>	<u>228,713</u>	<u>34,459</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2007, the amount of outstanding debt was equal to .26% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2007:

	Balance				Balance	Amount due
	Oct. 1, 2006	Additions	Reductions	Adjustments *	Sept. 30, 2007	within one year
Governmental Activities:						
General obligation bonds	\$ 175,000		30,000		145,000	35,000
Other loans	613,083		382,578	(1,792)	228,713	22,249
Total	\$ <u>788,083</u>	<u>0</u>	<u>412,578</u>	<u>(1,792)</u>	<u>373,713</u>	<u>57,249</u>

* Immaterial adjustment to correct error in prior year long-term debt.

(9) Contingencies.

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

MONTGOMERY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

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.

(10) 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, Miss. Code Ann. (1972), to operate the Winona-Montgomery County Airport Authority. The joint venture was created to construct, manage, control and operate the Winona-Montgomery County Airport and is governed by a five-member board of commissioners appointed as follows: Montgomery County, two; City of Winona, two; jointly, one. By contractual agreement, all costs of the airport shall be borne equally by both parties. The county paid \$18,100 for maintenance and support of the airport in fiscal year 2007. Financial statements for the Winona-Montgomery County Airport Authority were not available.

(11) 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 appropriated \$22,598 for support of the center in fiscal year 2007.

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 appropriated \$28,084 to the district in fiscal year 2007.

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 board of trustees. The county appropriated \$118,258 for maintenance and support of the college in fiscal year 2007.

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 appropriated \$116,860 for maintenance and support of the library in fiscal year 2007.

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 appropriate for maintenance and support of the authority in fiscal year 2007.

MONTGOMERY COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(12) 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. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2007 was 11.85% 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, 2007, 2006 and 2005 were \$176,911, \$164,601 and \$145,563, respectively, equal to the required contributions for each year.

(13) Subsequent Events.

Subsequent to September 30, 2007, Montgomery 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>
05/23/08	3.25%	\$ 335,000	Short-term note	Ad valorem tax
10/06/08	4.25%	210,000	General obligation bond	Tourism tax

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

MONTGOMERY COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,363,512	2,311,782	2,313,221	1,439
Licenses, commissions and other revenue	122,622	124,025	136,809	12,784
Fines and forfeitures	167,000	155,652	178,849	23,197
Intergovernmental revenues	273,300	287,466	261,256	(26,210)
Interest income	75,000	116,823	116,823	
Miscellaneous revenues	193,569	191,024	146,865	(44,159)
Total Revenues	<u>3,195,003</u>	<u>3,186,772</u>	<u>3,153,823</u>	<u>(32,949)</u>
EXPENDITURES				
Current:				
General government	1,969,146	1,899,558	1,895,096	4,462
Public safety	710,463	709,506	709,506	
Public works	19,421	18,100	18,100	
Health and welfare	129,252	123,683	115,594	8,089
Culture and recreation	87,819	89,909	66,343	23,566
Education	700	207	207	
Conservation of natural resources	77,390	77,882	77,882	
Economic development and assistance	96,084	98,934	98,934	
Debt service:				
Principal			27,843	(27,843)
Interest			8,274	(8,274)
Total Expenditures	<u>3,090,275</u>	<u>3,017,779</u>	<u>3,017,779</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>104,728</u>	<u>168,993</u>	<u>136,044</u>	<u>(32,949)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	116,000	110,000	247,000	137,000
Transfers out	(243,328)	(416,762)	(416,762)	
Total Other Financing Sources and Uses	<u>(127,328)</u>	<u>(306,762)</u>	<u>(169,762)</u>	<u>137,000</u>
Net Change in Fund Balance	(22,600)	(137,769)	(33,718)	104,051
Fund Balances - Beginning	<u>400,000</u>	<u>1,086,166</u>	<u>941,266</u>	<u>(144,900)</u>
Fund Balances - Ending	<u>\$ 377,400</u>	<u>948,397</u>	<u>907,548</u>	<u>(40,849)</u>

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

MONTGOMERY COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Unit System Road and Bridge Maintenance Fund
 For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 395,441	448,400	387,173	(61,227)
Road and bridge privilege taxes	106,000	95,000	126,390	31,390
Intergovernmental revenues	496,000	526,000	545,575	19,575
Interest income	6,500	10,034	5,436	(4,598)
Total Revenues	<u>1,003,941</u>	<u>1,079,434</u>	<u>1,064,574</u>	<u>(14,860)</u>
EXPENDITURES				
Current:				
Public works	1,123,488	1,312,276	952,004	360,272
Debt service:				
Principal			343,079	(343,079)
Interest			17,193	(17,193)
Total Expenditures	<u>1,123,488</u>	<u>1,312,276</u>	<u>1,312,276</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(119,547)</u>	<u>(232,842)</u>	<u>(247,702)</u>	<u>(14,860)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	<u>0</u>	<u>0</u>	<u>354,907</u>	<u>354,907</u>
Net Change in Fund Balance	(119,547)	(232,842)	107,205	340,047
Fund Balances - Beginning	<u>700,000</u>	<u>954,143</u>	<u>911,836</u>	<u>(42,307)</u>
Fund Balances - Ending	<u>\$ 580,453</u>	<u>721,301</u>	<u>1,019,041</u>	<u>297,740</u>

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

MONTGOMERY COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 State Aid Road Fund
 For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 125,000	79,841	79,841	0
EXPENDITURES				
Current:				
Public works	125,000	87,246	87,246	0
Excess of Revenues over (under) Expenditures	0	(7,405)	(7,405)	0
OTHER FINANCING SOURCES (USES)				
Total Other Financing Sources and Uses	0	0	0	0
Net Change in Fund Balance	0	(7,405)	(7,405)	0
Fund Balances - Beginning	0	51,740	19,035	(32,705)
Fund Balances - Ending	\$ 0	44,335	11,630	(32,705)

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

MONTGOMERY COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2007

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 revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>Unit System Road and Bridge Maintenance Fund</u>	<u>State Aid Road Fund</u>
Budget (Cash Basis)	\$ (33,718)	107,205	(7,405)
Increase (Decrease)			
Net adjustments for revenue accruals	(329,989)	(4,880)	864,257
Net adjustments for expenditure accruals	<u>311,338</u>	<u>(9,831)</u>	<u>(837,039)</u>
GAAP Basis	<u>\$ (52,369)</u>	<u>92,494</u>	<u>19,813</u>

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

SPECIAL REPORTS

MONTGOMERY COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Supervisors
Montgomery County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Montgomery County, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the county's basic financial statements and have issued our report thereon dated May 8, 2009. 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 generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the reporting entity that include the financial data for its component units. The report is qualified on the governmental activities and the aggregate remaining fund information because the county did not maintain adequate subsidiary records documenting the accounts receivable of the solid waste user fees or the aging of these accounts receivable and a qualified opinion on the governmental activities and the General Fund because the county did not maintain adequate subsidiary records documenting the fines receivable of the Circuit Court or the aging of the fines receivable. Except for the limitations related to the qualified opinions, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Montgomery County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described in the accompanying Schedule of Findings as items 07-1, 07-2, 07-3, 07-4, 07-5, 07-6 and 07-7 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07-1, 07-4, 07-05, 07-6 and 07-7 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montgomery County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

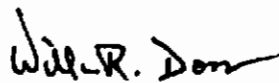
However, we noted certain instances of noncompliance which we have reported to the management of Montgomery County, Mississippi, in the Independent Auditor's Report on Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated May 8, 2009, included within this document.

Montgomery County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit Montgomery County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than this specified party. However, this report is a matter of public record and its distribution is not limited.



STACEY E. PICKERING
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 8, 2009



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Montgomery County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Montgomery County, Mississippi, as of and for the year ended September 30, 2007. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Montgomery County, Mississippi, is responsible for 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). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). 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 control system, errors or irregularities may occur and not be detected. Also, projection of any 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 a certain instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Purchase Clerk.

Finding

As reported in the prior year's audit report, Section 31-7-103, Miss. Code Ann. (1972), requires a requisition, purchase order and receiving report for purchases, except for those items enumerated by the Office of the State Auditor under the authority of Section 31-7-113, Miss. Code Ann. (1972), and except for purchases of not more than \$100. Some purchase documents did not have detailed descriptions or specific quantities noted on the documents. Failure to properly complete purchase documents could cause the county to pay more for items than were ordered or to pay for items that were not ordered.

Recommendation

The Purchase Clerk should ensure that purchase transaction documents are present, completed with sufficient detail, including specific amounts, as required, and in the proper time sequence.

Purchase Clerk's Response

We will comply.

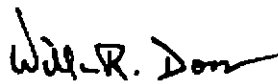
In our opinion, except for the noncompliance referred to in the preceding paragraph, Montgomery County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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 study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

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.



STACEY E. PICKERING
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 8, 2009

MONTGOMERY COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2007

Schedule 1

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

MONTGOMERY COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2007

Schedule 2

Our test results did not identify any emergency purchases.

MONTGOMERY COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2007

Schedule 3

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

MONTGOMERY COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Montgomery County, Mississippi

In planning and performing our audit of the financial statements of Montgomery County, Mississippi for the year ended September 30, 2007, 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 May 8, 2009, on the financial statements of Montgomery County, Mississippi.

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

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings and recommendations and your responses are disclosed below:

Circuit Clerk.

1. Finding

As reported in the prior year's audit report, an effective system of internal control should include an adequate separation of duties. Cash collections and disbursement functions are not adequately separated for effective internal control. One person receipts funds, prepares all deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statements and disburses all funds. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Circuit Clerk should implement a system for review of the accounting records by another person.

Circuit Clerk's Response

Having only one deputy, it is difficult to separate responsibilities. However, we will comply as much as possible.

Sheriff.

2. Finding

As reported in the prior year's audit report, an effective system of internal control should include an adequate separation of duties. Cash collections and disbursement functions are not adequately separated for effective internal control. One person receipts funds, prepares all deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statements and disburses all funds. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Sheriff should implement a system for review of the accounting records by another person.

Sheriffs' Response

Due to a small department, I will comply and take care of this.

3. Finding

An effective system of internal control over collections in the Sheriff's office should include the settlement of funds to the proper offices on a monthly basis. Based upon test work performed, we noted that the months of June, July and August of the fiscal year ending September 30, 2007 were settled on August 27, 2007. Failure to settle monies collected on a timely basis could result in a misappropriation or loss of public funds.

Recommendation

The Sheriff should install a system of internal controls to ensure that all funds are settled on a monthly basis.

Sheriff's Response

We will comply.

Justice Court Clerk.

4. Finding

An effective system of controls includes a separation of duties. We noted that there was no separation of duties in the collecting, receipting, depositing and disbursing of funds. Failure to have an adequate separation of duties could result in the loss of public funds due to the mishandling of funds.

Recommendation

The Justice Court Clerk should separate cash collection, deposit preparation and cash disbursement duties from cash recording responsibilities when practicable.

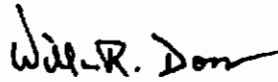
Justice Court Clerk's Response

I understand the problem. We only have three employees including myself. We do separate duties as best we can. We will continue trying to keep it completely separated.

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



STACEY E. PICKERING
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 8, 2009

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MONTGOMERY COUNTY

SCHEDULE OF FINDINGS

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

Schedule of Findings
For the Year Ended September 30, 2007

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

Governmental activities	Qualified
Aggregate discretely component units	Adverse
General Fund	Qualified
Unit System Road and Bridge Maintenance Fund	Unqualified
State Aid Road Fund	Unqualified
Aggregate remaining fund information	Qualified

2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiencies identified that are not considered to be material weaknesses? Yes

3. Noncompliance material to the financial statements? No

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

07-1. Finding

Generally accepted accounting principals require the financial data for the county's 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 financial statements do not include the financial data for the county's legally separate component units. The failure to properly follow generally accepted accounting principals resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component units for the inclusion in the financial statements.

Board of Supervisors' Response

Due to the size of Montgomery County, it is not feasible to have these financial statements prepared.

MONTGOMERY COUNTY

Schedule of Findings
For the Year Ended September 30, 2007

Significant Deficiency

07-2. Finding

An effective system of internal control includes a separation of duties. Observations revealed that there is not an adequate separation of duties in the accounting functions. Failure to have an adequate separation of duties could result in the loss of public funds due to the mishandling of funds.

Recommendation

Accounting functions involving receipting and disbursing of funds, recording of funds, and reconciling accounts should be performed by different people.

Board of Supervisors' Response

We will comply.

Tax Assessor-Collector.

Significant Deficiency

07-3. Finding

An effective system of control includes a separation of duties. We noted that there was no separation of duties in the collecting, receipting, depositing and disbursing of funds. Failure to have an adequate separation of duties could result in the loss of public funds due to the mishandling of funds.

Recommendation

The Tax Assessor-Collector should separate cash collection, deposit preparation and cash disbursement duties from cash recording responsibilities when practicable.

Tax Assessor-Collector's Response

The office is short of staff; however, I will comply to the best of my ability.

Significant Deficiency - Material Weakness

07-4. Finding

Article 66 of the Mississippi Constitution prohibits writing-off accounts receivable of the county. In addition, adjustments made to accounts receivable can only be made upon the approval of the Board of Supervisors. The Tax Assessor-Collector has deleted various solid waste accounts. Adjustments have also been made without the approval of the Board of Supervisors. Failure to properly pursue the collection of accounts receivable balances and obtain proper approval for adjustments could result in the loss of revenues of the county.

Recommendation

The Tax Assessor-Collector should cease writing-off accounts receivables and obtain proper approval before making adjustments.

MONTGOMERY COUNTY

Schedule of Findings
For the Year Ended September 30, 2007

Tax Assessor-Collector's Response

I will comply.

Significant Deficiency - Material Weakness

07-5. Finding

As reported in prior year's audit report, control procedures were inadequate for determining the aging of solid waste accounts receivable. Management did not maintain adequate subsidiary records documenting the accounts receivable of the solid waste user fees and the aging of these receivables. Therefore, the Independent Auditor's report is qualified on the governmental activities and the aggregate remaining fund information because we were not able to satisfy ourselves as to the fair presentation of the solid waste accounts receivable in the governmental activities and the Other Governmental Funds.

Recommendation

The Tax Assessor-Collector should establish procedures documenting the accounts receivable records and the aging of solid waste fees.

Tax Assessor-Collector's Response

I will comply.

Significant Deficiency - Material Weakness

07-6. Finding

An effective system of internal control over tax collections should include verifying the tax levy mileage entered into the computer's "Levy Code File Maintenance". The incorrect mileage rate was entered into the computer's "Levy Code File Maintenance" for General County, Holmes Community College Maintenance and Holmes Community College Buildings and Improvements. Failure to properly enter mileage rates into the computer master file will lead to inaccurate collection of county funds.

Recommendation

The Tax Assessor-Collector should ensure that the correct tax levies are used.

Tax Assessor-Collector's Response

The tax levy was entered prior to me coming into office. I will ensure that all tax levies are entered properly in the future.

MONTGOMERY COUNTY
Schedule of Findings
For the Year Ended September 30, 2007

Circuit Clerk.

Significant Deficiency - Material Weakness

07-7. Finding

As reported in the prior year's audit report, control procedures were inadequate for determining the aging of the Circuit Court's fines receivable. The Circuit Clerk did not properly maintain the listing of the individual accounts used in preparing the accounts receivable aging schedule. Therefore, the Independent Auditor's report is qualified on the governmental activities and the General Fund because we were not able to satisfy ourselves as to the fair presentation of the Circuit Court fines receivable in the governmental activities and the General Fund.

Recommendation

The Circuit Clerk should establish procedures to identify the individual fines that comprise each category of the aged fines receivable.

Circuit Clerk's Response

Since coming into office on January 1, 2008, I have reviewed the criminal files from the year 2000 forward for amounts owed to Montgomery County. We are attempting to set up a system for monitoring these accounts for delinquencies, as well as a system for aging the accounts.