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MONTGOMERY COUNTY
AUDITED FINANCIAL STATEMENTS AND SPECIAL REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

FINANCIAL SECTION

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Members.
American Institute of CPAs
Mississippi Society of CPAs

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, 2009, 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.

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, revenue and expenses of the aggregate discretely presented component units is not reasonably determinable.

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, 2009, or the changes in financial position thereof for the year then ended.

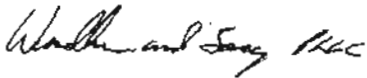
In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Montgomery County, Mississippi, as of September 30, 2009, 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 accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2010 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. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Windham and Lacey, PLLC
October 15, 2010

MONTGOMERY COUNTY

FINANCIAL STATEMENTS

MONTGOMERY COUNTY
Statement of Net Assets
September 30, 2009

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	3,655,341
Property tax receivable	3,719,261
Accounts receivable (net of allowance for uncollectibles of \$130,037)	90,926
Fines receivable (net of allowance for uncollectibles of \$540,119)	531,771
Intergovernmental receivables	99,211
Other receivables	8,894
Capital assets:	
Land and construction in progress	845,576
Other capital assets, net	6,486,531
Total Assets	<u>15,437,511</u>
LIABILITIES	
Claims payable	173,879
Intergovernmental payables	85,449
Deferred revenue	3,719,261
Accrued Interest	5,047
Amounts held in custody for others	17,375
Long-term liabilities	
Due within one year:	
Capital debt	118,051
Due in more than one year:	
Capital debt	602,124
Total Liabilities	<u>4,721,186</u>
NET ASSETS	
Invested in capital assets, net of related debt	6,611,932
Restricted:	
Expendable:	
General government	188,719
Debt service	60,578
Public safety	219,079
Public works	1,924,150
Culture and recreation	59,021
Capital projects	93,919
Unrestricted	1,558,927
Total Net Assets	<u>10,716,325</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, 2009

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ 1,934,326	413,612	20,161	(1,500,553)
Public safety	1,227,623	112,026	152,124	(955,549)
Public works	3,054,646	258,750	743,505	(335,712)
Health and welfare	197,543		40,645	(156,898)
Culture and recreation	66,319		1,562	(64,757)
Conservation of natural resources	63,535			(63,535)
Economic development	130,741			(130,741)
Interest on long-term debt	34,265			(34,265)
Total Governmental Activities	\$ 6,708,998	784,388	957,997	(3,242,010)
			1,724,603	
General revenues:				
Property taxes				3,622,940
Road & bridge privilege taxes				127,504
Grants and contributions not restricted to specific programs				195,031
Unrestricted investment income				31,179
Miscellaneous				75,860
Total General Revenues				4,052,514
Changes in Net Assets				810,504
Net Assets - Beginning				9,905,821
Net Assets - Ending				\$ 10,716,325

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

MONTGOMERY COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2009

Exhibit 3

	Major Funds				Total Governmental Funds
	General Fund	Unit System Road and Bridge Maintenance Fund	State Aid Road Fund	Other Governmental Funds	
ASSETS					
Cash	\$ 1,162,713	1,390,357	62,198	1,040,073	3,655,341
Property tax receivable	2,454,705	521,411		743,145	3,719,261
Accounts receivable (net of allowance for uncollectibles of \$130,037)				90,926	90,926
Fines receivable (net of allowance for uncollectibles of \$540,119)	531,771				531,771
Intergovernmental receivables	52,665	25,622	13,711	7,213	99,211
Other receivables				8,894	8,894
Due from other funds		18,536		12,457	30,993
Total Assets	\$ 4,201,854	1,955,926	75,909	1,902,708	8,136,397
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 85,398	13,386	27,596	47,499	173,879
Intergovernmental payables	81,513				81,513
Due to other funds	34,929				34,929
Deferred revenue	2,986,476	521,411		834,071	4,341,958
Amounts held in custody for others	17,375				17,375
Total Liabilities	3,205,691	534,797	27,596	881,570	4,649,654
Fund balances:					
Reserved for:					
Debt Service				67,669	67,669
Unreserved - undesignated, reported in:					
General Fund	996,163				996,163
Special Revenue Funds		1,421,129	48,313	859,550	2,328,992
Capital Project Funds				93,919	93,919
Total fund balances	996,163	1,421,129	48,313	1,021,138	3,486,743
Total Liabilities and Fund Balances	\$ 4,201,854	1,955,926	75,909	1,902,708	8,136,397

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, 2009

Exhibit 3.1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,486,743
Amounts reported for governmental services in the Statement of Net Assets (Exhibit 1) 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 \$6,029,071.	7,332,107
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	622,697
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(720,175)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(5,047)</u>
Total Net Assets - Governmental Funds	\$ <u>10,716,325</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, 2009

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Unit System Road and Bridge Maintenance Fund	State Aid Road Fund		
REVENUES					
Property taxes	\$ 2,389,841	496,477		736,622	3,622,940
Road and bridge privilege taxes		127,504			127,504
Licenses, commissions and other revenue	188,276			5,460	193,736
Fines and forfeitures	165,202			6,282	171,484
Intergovernmental revenues	326,715	522,121	1,722,479	323,262	2,894,577
Charges for services				453,947	453,947
Interest income	29,333			1,846	31,179
Miscellaneous revenues	23,086	3,807		30,108	57,001
Total Revenues	<u>3,122,453</u>	<u>1,149,909</u>	<u>1,722,479</u>	<u>1,557,527</u>	<u>7,552,368</u>
EXPENDITURES					
Current:					
General government	1,788,667			139,176	1,927,843
Public safety	724,498			306,482	1,030,980
Public works	10,631	874,161	1,699,802	915,223	3,499,817
Health and welfare	120,138			74,255	194,393
Culture and recreation	30,784			35,535	66,319
Conservation of natural resources	63,535				63,535
Economic development and assistance	99,609			185,386	284,995
Debt service:					
Principal	26,382			110,152	136,534
Interest	5,814			23,978	29,792
Total Expenditures	<u>2,870,058</u>	<u>874,161</u>	<u>1,699,802</u>	<u>1,790,187</u>	<u>7,234,208</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>252,395</u>	<u>275,748</u>	<u>22,677</u>	<u>(232,660)</u>	<u>318,160</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term capital debt				210,000	210,000
Proceeds from sale of capital assets		5,800			5,800
Transfers in				164,434	164,434
Transfers out	(164,434)				(164,434)
Total Other Financing Sources and Uses	<u>(164,434)</u>	<u>5,800</u>	<u>0</u>	<u>374,434</u>	<u>215,800</u>
Net Changes in Fund Balances	87,961	281,548	22,677	141,774	533,960
Fund Balances - Beginning	908,202	1,139,581	25,636	879,364	2,952,783
Fund Balances - Ending	\$ <u>996,163</u>	<u>1,421,129</u>	<u>48,313</u>	<u>1,021,138</u>	<u>3,486,743</u>

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

MONTGOMERY COUNTY
 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, 2009

Exhibit 4.1

	<u>Amount</u>
Net change in fund balances - Governmental funds	\$ 533,960
Amounts reported for governmental activities in the statement of activities (Exhibit 2) 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 \$716,289 exceeded depreciation \$323,140 in the current period.	393,149
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 balance by the amount of the net gain of \$1,582 and the proceeds from the sale of \$5,800 in the current period.	(4,218)
Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(18,156)
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(16,623)
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 that debt proceeds of \$210,000 exceeded debt repayments of \$136,534.	(73,466)
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>(4,142)</u>
Change in net assets of governmental activities	\$ <u>810,504</u>

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

MONTGOMERY COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2009

Exhibit 5

	Agency Funds
ASSETS	
Due from other funds	\$ 3,936
Total Assets	<u>\$ 3,936</u>
LIABILITIES	
Intergovernmental payables	\$ 3,936
Total Liabilities	<u>\$ 3,936</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, 2009

(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, 2009

The Statement of Net Assets presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. 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 revenue 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 & Bridge Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

State Aid Road Fund - This fund is used to account for monies from state aid revenues that are restricted for road and bridge maintenance and improvements.

MONTGOMERY COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

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, and 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, 2009

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 statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. 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. 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 Yrs
Buildings	50,000	40 Yrs
Mobile Equipment	5,000	5-10 Yrs
Furniture and Equipment	5,000	3-7 Yrs

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, 2009

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, constructions or improvements 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 or regulation 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.

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Notes to Financial Statements
For the Year Ended September 30, 2009

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) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2009, was \$3,655,341 and the bank balance was \$4,152,929. 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.

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2009.

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 12,457
Agency Funds	General Fund	3,936
Unit System Road and Bridge Maintenance	General Fund	<u>18,536</u>
Total		<u>\$ 34,929</u>

The receivables represent the tax revenue collected but not settled until October, 2009. 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>\$ 164,434</u>

MONTGOMERY

Notes to Financial Statements
For the Year Ended September 30, 2009

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.

(4) Intergovernmental Receivables.

Intergovernmental Receivables at September 30, 2009, consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative Tax Credit	\$ 32,944
State Treasury - Transportation	4,968
State Treasury - Motor Fuel Tax	15,409
State Treasury - Overload Tax	9,152
State Treasury - Welfare Payments	1,581
State Treasury - State Aid Project	13,711
State Treasury - Timber Severance	423
State Treasury - Youth Court	1,250
State Treasury - Special Tax	1,310
State Treasury - Sheriff Support	385
EOC - Payroll Reimbursement - Town of Kilmichael	792
EOC - Payroll Reimbursement - Town of Winona	4,461
EOC - Payroll Reimbursement - Town of Duck Hill	650
DUI Grant	<u>12,175</u>
Total Governmental Activities	<u>\$ 99,211</u>

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2009:

Governmental Activities:

<u>Non-depreciable capital assets</u>	<u>Balance</u> <u>Oct. 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments *</u>	<u>Balance</u> <u>Sept.30, 2009</u>
Land	\$ 227,123				227,123
Construction in progress	465,936	451,468		(298,951)	618,453
Total non-depreciable capital assets	<u>693,059</u>	<u>451,468</u>	<u>0</u>	<u>(298,951)</u>	<u>845,576</u>
<u>Depreciable Capital Assets</u>					
Infrastructure	3,777,630			298,951	4,076,581
Buildings	4,965,180	179,222			5,144,402
Mobile Equipment	2,873,751	85,599	42,182		2,917,168
Furniture & Equipment	377,451				377,451
Total Depreciable Capital Assets	<u>11,994,012</u>	<u>264,821</u>	<u>42,182</u>	<u>298,951</u>	<u>12,515,602</u>

MONTGOMERY COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

<u>Less: Accumulated Depreciation for:</u>	Balance Oct. 1, 2008	Additions	Deletions	Adjustments *	Balance Sept.30, 2009
Infrastructure	319,998	125,128			445,126
Buildings	3,071,794	32,833			3,104,627
Mobile Equipment	1,993,863	158,486	37,964		2,114,385
Furniture & Equipment	358,240	6,693			364,933
Total accumulated depreciation	<u>5,743,895</u>	<u>323,140</u>	<u>37,964</u>	<u>0</u>	<u>6,029,071</u>
Total depreciable capital assets, net	<u>6,250,117</u>	<u>(58,319)</u>	<u>4,218</u>	<u>298,951</u>	<u>6,486,531</u>
Governmental activities capital assets, net	\$ <u>6,943,176</u>	<u>393,149</u>	<u>4,218</u>	<u>0</u>	<u>7,332,107</u>
* The adjustments are to transfer completed construction in progress to infrastructure					\$ <u>298,951</u>

Depreciation expense was charged to the following functions:

	Amount
Governmental activities:	
General government	\$ 6,483
Public safety	33,797
Public works	254,742
Health and welfare	3,150
Culture and recreation	<u>24,968</u>
Total governmental activities depreciation expense	\$ <u>323,140</u>

(6) 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, 2009, to January 1, 2010. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

MONTGOMERY COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

(7) Long -Term Debt

Debt outstanding as of September 30, 2009 consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Multi-Purpose Building	\$ 75,000	4.50/5.00%	03/2011
Coliseum Stalls	199,000	4.25%	10/2022
Total General Obligation Bonds	<u>\$ 274,000</u>		
B. Other Loans:			
MDA Cap Loan - Multi-purpose building	96,775	3.00%	07/2014
MDA Cap Loan - Mental health building	\$ 78,552	3.00%	05/2022
Bridge Construction Loan	<u>270,848</u>	3.25%	05/2013
Total Other Loans	<u>\$ 446,175</u>		

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

<u>Year Ending Sept. 30</u>	<u>General Obligation</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 35,000	7,104	83,051	13,807
2011	52,000	9,203	91,930	10,961
2012	12,000	7,693	94,867	8,027
2013	13,000	7,161	97,895	4,996
2014	13,000	6,609	26,523	1,875
2015 - 2019	76,000	23,800	31,972	5,324
2020 - 2024	<u>73,000</u>	<u>6,353</u>	<u>19,937</u>	<u>799</u>
Total	<u>\$ 274,000</u>	<u>67,923</u>	<u>446,175</u>	<u>45,789</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, 2009, the amount of outstanding debt was equal to 1.21% of the latest property assessments.

MONTGOMERY COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2009:

	Balance Oct.1, 2008	Additions	Reductions	Adjustments	Balance Sept.30,2009	Amount due within one year
Governmental Activities:						
General Obligation Bonds \$	110,000	210,000	46,000		274,000	35,000
Other Loans	536,709		90,534		446,175	83,051
Total	\$ 646,709	210,000	136,534	0	720,175	118,051

(8) 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.

Litigation - The county is party to legal proceedings, many of which occur in 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.

(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, 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 \$5,453 for maintenance and support of the airport in fiscal year 2009. 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 appropriated \$22,598 for support of the center in fiscal year 2009.

North Central Planning and Development District operates in a district composed of the counties of Attala, Carroll, Grenada, Holmes, Leflore, Montgomery and Yazoo. The Montgomery County Board of Supervisors appoints four of the 28 members of the district board of directors. The county appropriated \$30,084 for the maintenance and support of the district in fiscal year 2009.

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 appropriated \$120,582 for maintenance and support of the college in fiscal year 2009.

MONTGOMERY COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

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 \$119,504 for maintenance and support of the library in fiscal year 2009.

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 2009.

(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. 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 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, 2009 was 12.0% 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, 2009, 2008, and 2007 were \$197,510, \$192,265, and \$176,911 respectively, equal to the required contributions for each year.

(12) Subsequent Events.

Subsequent to September 30, 2009, Montgomery County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
3/24/2010	4.10%	\$ 400,000	General Obligation Public Improvement Bonds	Ad valorem tax

MONTGOMERY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

MONTGOMERY COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,393,187	2,393,010	2,393,010	
Licenses, commissions and other revenue	155,089	135,172	135,172	
Fines and forfeitures	196,063	161,607	161,607	
Intergovernmental revenues	292,642	306,994	306,994	
Interest income	75,000	28,954	28,954	
Miscellaneous revenues	199,020	170,734	170,734	
Total Revenues	<u>3,311,001</u>	<u>3,196,471</u>	<u>3,196,471</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,058,984	1,885,692	1,885,692	
Public safety	688,882	733,742	733,742	
Public works	13,050	10,331	10,331	
Health and welfare	134,575	127,623	127,623	
Culture and recreation	98,572	77,765	77,765	
Education	500			
Conservation of natural resources	80,569	63,740	63,740	
Economic development and assistance	98,084	99,608	99,608	
Total Expenditures	<u>3,173,216</u>	<u>2,998,501</u>	<u>2,998,501</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>137,785</u>	<u>197,970</u>	<u>197,970</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	116,000	172,000	172,000	0
Other financing uses	<u>(129,285)</u>	<u>(302,085)</u>	<u>(302,085)</u>	<u>0</u>
Total Other Financing Sources and Uses	<u>(13,285)</u>	<u>(130,085)</u>	<u>(130,085)</u>	<u>0</u>
Net Change in Fund Balance	124,500	67,885	67,885	0
Fund Balances - Beginning	<u>750,000</u>	<u>936,588</u>	<u>936,588</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 874,500</u>	<u>1,004,473</u>	<u>1,004,473</u>	<u>0</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, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 515,441	497,603	497,603	
Road and bridge privilege taxes	106,000	126,778	126,778	
Intergovernmental Revenues	496,000	507,804	507,804	
Miscellaneous revenues	6,500	53,580	53,580	
Total Revenues	<u>1,123,941</u>	<u>1,185,765</u>	<u>1,185,765</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	1,152,788	930,317	930,317	
Total Expenditures	<u>1,152,788</u>	<u>930,317</u>	<u>930,317</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(28,847)</u>	<u>255,448</u>	<u>255,448</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other Financing Sources	0	0	0	0
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(28,847)	255,448	255,448	0
Fund Balances - Beginning	700,000	1,134,909	1,134,909	0
Fund Balances - Ending	<u>\$ 671,153</u>	<u>1,390,357</u>	<u>1,390,357</u>	<u>0</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, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 0	0	0	0
Road and bridge privilege taxes	0	0	0	0
Intergovernmental Revenues	125,000	195,165	195,165	0
Miscellaneous revenues	0	0	0	0
Total Revenues	<u>125,000</u>	<u>195,165</u>	<u>195,165</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	125,000	158,603	158,603	0
Total Expenditures	<u>125,000</u>	<u>158,603</u>	<u>158,603</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>36,562</u>	<u>36,562</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other Financing Sources	0	0	0	0
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	0	36,562	36,562	0
Fund Balances - Beginning	0	25,636	25,636	0
Fund Balances - Ending	<u>\$ 0</u>	<u>62,198</u>	<u>62,198</u>	<u>0</u>

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, 2009

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:

	Governmental Fund Types		
	General Fund	Unit System Road and Bridge Maintenance Fund	State Aid Road Fund
<u>Net Change in Fund Balance</u>			
Budget (Cash Basis)	\$ 67,885	255,448	36,562
Increase (Decrease)			
Net adjustments for revenue accruals	(74,018)	(30,056)	1,527,314
Net adjustments for expenditure accruals	<u>94,094</u>	<u>56,156</u>	<u>(1,541,199)</u>
GAAP Basis	\$ <u>87,961</u>	<u>281,548</u>	<u>22,677</u>

MONTGOMERY COUNTY

SUPPLEMENTAL INFORMATION

MONTGOMERY COUNTY
Reconciliation of Operating Costs of Solid Waste
For Year Ended September 30, 2009

Operating Expenditures, Cash Basis:

Salaries	\$	26,004
Solid waste disposal fee		<u>306,412</u>

Solid Waste Cash Basis Operating Expenditures		338,598
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Full Cost Expenses:

Indirect administrative costs		<u>4,299</u>
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Solid Waste Full Cost Operating Expenses	\$	<u>342,897</u>
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MONTGOMERY COUNTY

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

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Mississippi Society of CPAs

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, 2009, which collectively comprise the county's basic financial statements and have issued our report thereon dated October 15, 2010. 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.

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 the 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 a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 deficiency described in the accompanying Schedule of Findings and Responses as item 09-1 to be a significant deficiency 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.

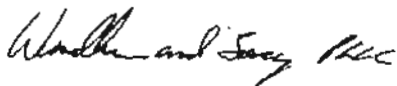
Our consideration of the internal control over financial reporting was for limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

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*.

Montgomery County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Response. We did not audit Montgomery County's response 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 specified parties. However, this report is a matter of public record and its distribution is not limited.



Windham and Lacey, PLLC
October 15, 2010

Windham and Lacey, PLLC

Certified Public Accountants

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Members
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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, 2009. 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.

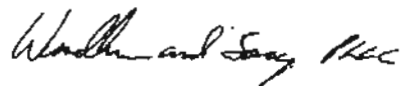
The Board of Supervisors of Montgomery County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for 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.

In our opinion, 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.



Windham and Lacey, PLLC
October 15, 2010

MONTGOMERY COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2009

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, 2009

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, 2009

Schedule 3

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

Windham and Lacey, PLLC

Certified Public Accountants

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Pearl, MS 39208
(601)939-8676

Members.
American Institute of CPAs
Mississippi Society of CPAs

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

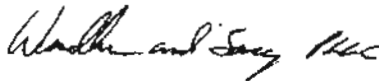
Members of the Board of Supervisors
Montgomery County, Mississippi

In planning and performing our audit of the financial statements of Montgomery County, Mississippi for the year ended September 30, 2009, we considered Montgomery County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Montgomery County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated October 15, 2010, on the financial statements of Montgomery County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and 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, 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.

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.



Windham and Lacey, PLLC
October 15, 2010

MONTGOMERY COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

MONTGOMERY COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2009

Section 1: Summary of Auditor's Results

Financial Statements:

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

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

2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiencies identified that are not considered to be material weaknesses? None Reported

3. Noncompliance material to the financial statements? No

Section 2: Financial Statement Findings

Significant Deficiency - Material Weakness

09-1. Finding

Generally accepted accounting principles 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. As reported in the prior year's audit report, 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 principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The county should provide the financial data for its discretely presented component units for the inclusion in the county's financial statements.

Board of Supervisors' Response

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