



**SUSAN MONTEE, JD, CPA**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Morgan County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Morgan County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Casey and Company, L.L.C., Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA  
State Auditor

October 2009  
Report No. 2009-114



**MORGAN COUNTY, MISSOURI**  
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## **MANAGEMENTS' DISCUSSION AND ANALYSIS**

**MORGAN COUNTY, MISSOURI  
MANAGEMENTS' DISCUSSION AND ANALYSIS  
FOR THE TWO YEARS ENDED DECEMBER 31, 2008**

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This discussion and analysis of Morgan County's financial performance provides an overview of the county's financial activity for the years ended December 31, 2008 and 2007. The information below, prepared by the county's management, should be read in conjunction with the county's financial statements that immediately follow.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The contents of this report comply with the presentation requirements of Statement No. 34 of the Governmental Accounting Standards Board, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as applicable to the cash basis of accounting. The county's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. The notes are an integral part of the government-wide and fund financial statements and provide more detail about the information presented in the statements. This report also contains other financial information in addition to the basic financial statements.

The county has elected to present its financial statements on the cash basis of accounting, a basis of accounting other than accounting principles generally accepted in the United States of America. "Basis of accounting" refers to when financial events are recorded. Under the cash basis of accounting, revenues are recorded when received rather than when earned, and expenditures are recorded when paid rather than when the related liabilities are incurred. Therefore, when reviewing the financial information and discussion in this report, the reader should recall the limitations resulting from use of the cash basis of accounting.

Government-Wide Financial Statements

The Government-Wide Statement of Net Assets and the Government-Wide Statement of Activities report information about the county as a whole. These statements present the county's net assets and show how they have changed. Over time, increases or decreases in the county's net assets are one indicator of whether its financial health or position is improving or deteriorating. However, to assess the county's overall financial health, the reader needs to consider additional non-financial factors. The government-wide financial statements report only governmental activities-activities such as general government operations, roads and bridges, public safety, and health and welfare that are usually financed through taxes and intergovernmental revenues. The county has no business-like activities financed wholly or partially by fees charged to external parties for goods or services. The financial statements of the Morgan County Health Center are not included in the accompanying financial statements for its years ended December 31, 2008 and 2007. Such financial statements have been audited and separately reported on by other independent auditors. The financial statements do include the activities of the Sheltered Workshop Fund and the Senior Services Fund.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds-not the county as a whole. Some funds are required to be established by state law or by bond covenants. However, the County Commission establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, or other revenue sources. The fund financial statements include only governmental funds, which focus on the flow of money into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed view of the county's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether more or fewer financial resources can be spent in the near future to finance the county's programs.

**MORGAN COUNTY, MISSOURI  
MANAGEMENTS' DISCUSSION AND ANALYSIS  
FOR THE TWO YEARS ENDED DECEMBER 31, 2008 (Continued)**

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The County as Trustee

The county is the trustee, or fiduciary, for its trust and agency funds that are used to account for assets held by the county's elected officials in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The county's fiduciary assets are reported in a separate Fiduciary Funds Statement of Net Assets. Fiduciary funds are excluded from the county's other financial statements because the county cannot use these assets to finance its operations. The county is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Other Information

The report also includes as required supplementary information this Managements' Discussion and Analysis and the Budgetary Comparison Schedule – General Fund and Major Special Revenue Funds – Cash Basis. Such information is intended to supplement the government-wide financial statements, fund financial statements, and notes to the financial statements but is not a part of those statements.

**FINANCIAL HIGHLIGHTS**

- The county's total governmental receipts exceeded total expenses by \$132,100 in 2008 and by \$832,443 in 2007.
- The county's governmental funds ended 2008 with a combined cash balance of \$5,077,626 and 2007 with \$4,945,526.
- The County budgeted approximately \$100,000 in 2008 and disbursements increased substantially in 2008 for the additional cells and renovations to the Morgan County Justice Center. The additional cells are for the County's women inmates and will prevent the County from having to transfer them to other counties. This will keep Morgan County from expending funds to house women inmates in other counties.

**THE COUNTY AS A WHOLE**

The following chart displays assets, receipts, and disbursements for 2008, 2007, and 2006:

	Year Ended December 31,		
	2008	2007	2006
Net Assets	\$ 5,077,626	\$ 4,945,526	\$ 4,113,083
Program Receipts	2,755,012	2,693,885	2,699,498
General Receipts	6,550,816	6,264,306	5,795,719
Disbursements	(9,173,728)	(8,125,748)	(8,029,374)
Change in Net Assets	\$ 132,100	\$ 832,443	\$ 465,843

**CAPITAL ASSET AND DEBT ADMINISTRATION**

The county does not maintain financial statements related to its capital assets and, therefore, are not presented in this audit report.

**MORGAN COUNTY, MISSOURI  
MANAGEMENTS' DISCUSSION AND ANALYSIS  
FOR THE TWO YEARS ENDED DECEMBER 31, 2008 (Continued)**

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At December 31, 2008, Morgan County had the following long-term debt:

- 1) General obligation bonds for the Morgan County Justice Center totaling \$2,440,000 due September 2014 with interest rates ranging from 3.4% to 4.65%. These bonds are accounted for in the Law Enforcement Sales Tax Fund.
- 2) Neighborhood Improvement Districts (NIDs) for road improvements:  
The county has fourteen NIDs with total bonded indebtedness totaling \$1,946,000 with interest rates ranging from 4.875% to 7.00% and payoff due dates varying from 2008 to 2026. These bonds are accounted for through the various individual NID funds.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In 2005, the Sheriff's department entered into contracts with INS and the U.S. Marshal's Office bringing increased revenue for the boarding of prisoners into the county. Along with that revenue came job opportunities as well as increased expenditures. Even with that increase, it has helped the county financially. However, due to declining revenues in sales tax the county spent more than it received in the General Fund for 2008, but is still financially sound due to the fact that we continue to carry reserve revenues from year to year. For the 2009 budget, we did not increase the amount in revenues that we expected to receive.

The Morgan County economy continues to experience slow growth. With the relocation of the Dixon Ticonderoga Pencil Factory to Mexico in 2005, the building that was vacated by them has yet to be filled with any other factory. The other major factory in Morgan County is Gates Rubber Company. Although this factory is still open and operating, they laid off approximately 50-60 employees in 2008.

Revenues for the coming year are still below the projected amount but we feel we will reach our budgeted amount. There has been re-assessment in 2009, which should help revenues. With the increase in assessment, the General Revenue Tax levy was rolled back and the Special Road and Bridge levy should remain close to the same.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

Questions about this report or requests for additional information should be addressed to Cathy Daniels, Morgan County Clerk, 100 E Newton, Versailles, Missouri, 65084, (573)378-5436.

**INDEPENDENT AUDITORS' REPORT**

# CASEY AND COMPANY OF COLUMBIA, L.L.C.



A Certified Public Accounting and Consulting Firm

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1 East Broadway  
Columbia, MO 65203-4205  
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FAX / 875 – 7876  
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September 24, 2009

## INDEPENDENT AUDITORS' REPORT

To the County Commission  
Morgan County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morgan County, Missouri, as of and for the years ended December 31, 2008 and 2007, which collectively comprise the county's basic financial statements 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 the 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.

As discussed in Note 1, the county prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Additionally as discussed in Note 1, the County recognizes cash receipts when received by the County Treasurer rather than by other county officeholders and, accordingly, delays reporting cash receipts as cash revenue for up to a month at year end. Cash basis accounting principles, which is another comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, require that the County recognize cash receipts when received by any county officeholder which would increase the cash assets and fund balances and change the cash revenues in the General Revenue Fund, Special Road and Bridge Fund, and the Assessment Fund governmental funds.

The amount by which this departure would affect the assets, fund balances, and revenues of the General Revenue Fund, Special Road and Bridge Fund, and the Assessment Fund of Morgan County is not reasonably determinable.

MEMBER

•  
American  
Institute of  
Certified  
Public  
Accountants

•  
Missouri  
Society of  
Certified  
Public  
Accountants

In our opinion, except for the effects of not recognizing cash receipts until received by the Morgan County Treasurer for the General Revenue Fund, Special Road and Bridge Fund, and Assessment Fund governmental funds as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the major and non-major governmental funds of Morgan County, Missouri as of December 31, 2008 and 2007, with the respective changes in cash basis financial position for the years then ended in conformity with the cash basis of accounting which is another comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2009 on our consideration of Morgan County, Missouri'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.

The managements' discussion and analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist 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.

*Casey and Company, LLC*

Casey and Company, L.L.C.  
Certified Public Accountants  
Columbia, Missouri

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**MORGAN COUNTY, MISSOURI**  
**STATEMENT OF NET ASSETS- CASH BASIS**  
**DECEMBER 31, 2008 AND 2007**

	Governmental Activities	
	2008	2007
<b>ASSETS</b>		
Cash	\$ 3,750,055	\$ 3,659,791
Certificates of deposit	1,327,571	1,285,735
Total Assets	\$ 5,077,626	\$ 4,945,526
<b>NET ASSETS</b>		
Restricted for:		
Special Road and Bridge	\$ 974,379	\$ 887,910
Assessment	56,918	20,334
Public safety	-	42
Other nonmajor governmental funds	2,214,579	1,939,677
Unrestricted	1,831,750	2,097,563
Total Net Assets	\$ 5,077,626	\$ 4,945,526

**THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT.**

**MORGAN COUNTY**  
**STATEMENT OF ACTIVITIES - CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

		Program Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>				
General county government	\$ (1,765,284)	\$ 563,973	\$ 464,924	\$ (736,387)
Roads and bridges	(1,889,760)	-	1,339,824	(549,936)
Public safety	(4,267,049)	84,450	296,529	(3,886,070)
Health and welfare	(348,185)	5,312	-	(342,873)
Other	(903,450)	-	-	(903,450)
<b>NET PROGRAM (DISBURSEMENTS) RECEIPTS</b>	<b>\$ (9,173,728)</b>	<b>\$ 653,735</b>	<b>\$ 2,101,277</b>	<b>\$ (6,418,716)</b>

**GENERAL RECEIPTS**

Taxes:

Property taxes	\$ 1,150,082
Sales taxes	2,165,878
Interest	283,911
Dissolvment of special road district	221,270
Other	2,729,675
Total General Receipts	\$ 6,550,816

Increase in Net Assets 132,100

NET ASSETS, JANUARY 1 \$ 4,945,526

NET ASSETS, DECEMBER 31 \$ 5,077,626

**THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT.**

**MORGAN COUNTY**  
**STATEMENT OF ACTIVITIES - CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

		Program Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>				
General county government	\$ (1,787,548)	\$ 591,843	\$ 437,965	\$ (757,740)
Roads and bridges	(1,757,949)	-	1,380,507	(377,442)
Public safety	(3,686,851)	77,237	201,165	(3,408,449)
Health and welfare	(343,471)	5,168	-	(338,303)
Other	(549,929)	-	-	(549,929)
<b>NET PROGRAM (DISBURSEMENTS) RECEIPTS</b>	<b>\$ (8,125,748)</b>	<b>\$ 674,248</b>	<b>\$ 2,019,637</b>	<b>\$ (5,431,863)</b>
<b>GENERAL RECEIPTS</b>				
Taxes:				
Property taxes				\$ 1,044,024
Sales taxes				2,249,957
Interest				227,959
Other				2,742,366
Total General Receipts				\$ 6,264,306
Increase in Net Assets				832,443
NET ASSETS, JANUARY 1, AS RESTATED				\$ 4,113,083
NET ASSETS, DECEMBER 31				\$ 4,945,526

**THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT.**

**FUND FINANCIAL STATEMENTS**

**MORGAN COUNTY, MISSOURI**  
**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES - GOVERNMENTAL FUNDS**  
**AS OF DECEMBER 31, 2008**

	General Fund	Special Road and Bridge Fund	Assessment Fund	911 Fund	Law Enforcement Sales Tax Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash	\$ 1,087,206	\$ 578,327	\$ 33,783	\$ -	\$ -	\$ 2,050,739	\$ 3,750,055
Certificates of deposit	<u>744,544</u>	<u>396,052</u>	<u>23,135</u>	<u>-</u>	<u>-</u>	<u>163,840</u>	<u>1,327,571</u>
Total Assets	<u>\$ 1,831,750</u>	<u>\$ 974,379</u>	<u>\$ 56,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,214,579</u>	<u>\$ 5,077,626</u>
<b>FUND BALANCES</b>							
Unreserved	\$ 1,831,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,831,750
Unreserved special revenue fund	-	974,379	56,918	-	-	-	1,031,297
Unreserved reported in nonmajor funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,214,579</u>	<u>2,214,579</u>
Total Fund Balances	<u>\$ 1,831,750</u>	<u>\$ 974,379</u>	<u>\$ 56,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,214,579</u>	<u>\$ 5,077,626</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**MORGAN COUNTY, MISSOURI**  
**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES - GOVERNMENTAL FUNDS**  
**AS OF DECEMBER 31, 2007**

	General Fund	Special Road and Bridge Fund	Assessment Fund	911 Fund	Law Enforcement Sales Tax Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash	\$ 1,298,276	\$ 549,567	\$ 12,585	\$ 7	\$ 19	\$ 1,799,337	\$ 3,659,791
Certificates of deposit	<u>799,287</u>	<u>338,343</u>	<u>7,749</u>	<u>4</u>	<u>12</u>	<u>140,340</u>	<u>1,285,735</u>
Total Assets	<u>\$ 2,097,563</u>	<u>\$ 887,910</u>	<u>\$ 20,334</u>	<u>\$ 11</u>	<u>\$ 31</u>	<u>\$ 1,939,677</u>	<u>\$ 4,945,526</u>
<b>FUND BALANCES</b>							
Unreserved	\$ 2,097,563	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,097,563
Unreserved special revenue fund	-	887,910	20,334	11	31	-	908,286
Unreserved reported in nonmajor funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,939,677</u>	<u>1,939,677</u>
Total Fund Balances	<u>\$ 2,097,563</u>	<u>\$ 887,910</u>	<u>\$ 20,334</u>	<u>\$ 11</u>	<u>\$ 31</u>	<u>\$ 1,939,677</u>	<u>\$ 4,945,526</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**MORGAN COUNTY, MISSOURI**  
**CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDING DECEMBER 31, 2008**

	General Fund	Special Road and Bridge Fund	Assessment Fund	911 Fund	Law Enforcement Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>RECEIPTS</b>							
Property Taxes	\$ 410,791	\$ 383,263	\$ -	\$ -	\$ -	\$ 356,028	\$ 1,150,082
Sales Taxes	1,039,064	-	-	-	1,126,814	-	2,165,878
Intergovernmental	62	1,339,824	464,862	90,749	-	205,780	2,101,277
Charges for services	539,297	-	-	-	-	114,438	653,735
Interest	115,620	55,284	6,785	119	52	106,051	283,911
Other	1,331,117	251,858	-	239,264	412,548	716,158	2,950,945
Total Receipts	\$ 3,435,951	\$ 2,030,229	\$ 471,647	\$ 330,132	\$ 1,539,414	\$ 1,498,455	\$ 9,305,828
<b>DISBURSEMENTS</b>							
General county government	\$ 862,090	\$ -	\$ 435,063	\$ -	\$ -	\$ 468,131	\$ 1,765,284
Roads and Bridges	-	1,889,760	-	-	-	-	1,889,760
Public safety	367,331	-	-	599,008	2,917,836	382,874	4,267,049
Health and Welfare	-	-	-	-	-	348,185	348,185
Other	844,291	-	-	-	-	59,159	903,450
Total Disbursements	\$ 2,073,712	\$ 1,889,760	\$ 435,063	\$ 599,008	\$ 2,917,836	\$ 1,258,349	\$ 9,173,728
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 1,362,239	\$ 140,469	\$ 36,584	\$ (268,876)	\$ (1,378,422)	\$ 240,106	\$ 132,100
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	\$ 54,000	\$ -	\$ -	\$ 268,865	\$ 1,378,391	\$ 34,796	\$ 1,736,052
Transfers Out	(1,682,052)	(54,000)	-	-	-	-	(1,736,052)
Total Other Financing Sources (Uses)	\$ (1,628,052)	\$ (54,000)	\$ -	\$ 268,865	\$ 1,378,391	\$ 34,796	\$ -
Receipts and Other Financing Sources (Uses) Over (Under) Disbursements	(265,813)	86,469	36,584	(11)	(31)	274,902	132,100
CASH BASIS FUND BALANCES, JANUARY 1	\$ 2,097,563	\$ 887,910	\$ 20,334	\$ 11	\$ 31	\$ 1,939,677	\$ 4,945,526
CASH BASIS FUND BALANCES, DECEMBER 31	\$ 1,831,750	\$ 974,379	\$ 56,918	\$ -	\$ -	\$ 2,214,579	\$ 5,077,626

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**MORGAN COUNTY, MISSOURI**  
**CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDING DECEMBER 31, 2007**

	General Fund	Special Road and Bridge Fund	Assessment Fund	911 Fund	Law Enforcement Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>RECEIPTS</b>							
Property Taxes	\$ 385,476	\$ 327,807	\$ -	\$ -	\$ -	\$ 330,741	\$ 1,044,024
Sales Taxes	1,089,892	-	-	-	1,160,065	-	2,249,957
Intergovernmental	18	1,380,507	437,947	80,230	-	120,935	2,019,637
Charges for services	562,284	-	-	-	-	111,964	674,248
Interest	96,908	49,803	5,780	103	2,284	73,081	227,959
Other	1,385,806	30,481	-	228,312	358,306	739,461	2,742,366
Total Receipts	\$ 3,520,384	\$ 1,788,598	\$ 443,727	\$ 308,645	\$ 1,520,655	\$ 1,376,182	\$ 8,958,191
<b>DISBURSEMENTS</b>							
General county government	\$ 780,616	\$ -	\$ 439,310	\$ -	\$ -	\$ 567,622	\$ 1,787,548
Roads and Bridges	-	1,757,949	-	-	-	-	1,757,949
Public safety	302,769	-	-	531,236	2,659,699	193,147	3,686,851
Health and Welfare	-	-	-	-	-	343,471	343,471
Other	540,148	-	-	-	-	9,781	549,929
Total Disbursements	\$ 1,623,533	\$ 1,757,949	\$ 439,310	\$ 531,236	\$ 2,659,699	\$ 1,114,021	\$ 8,125,748
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 1,896,851	\$ 30,649	\$ 4,417	\$ (222,591)	\$ (1,139,044)	\$ 262,161	\$ 832,443
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	\$ 45,000	\$ -	\$ -	\$ 222,602	\$ 1,139,075	\$ -	\$ 1,406,677
Transfers Out	(1,361,677)	(45,000)	-	-	-	-	(1,406,677)
Total Other Financing Sources (Uses)	\$ (1,316,677)	\$ (45,000)	\$ -	\$ 222,602	\$ 1,139,075	\$ -	\$ -
Receipts and Other Financing Sources (Uses) Over (Under) Disbursements	580,174	(14,351)	4,417	11	31	262,161	832,443
CASH BASIS FUND BALANCES, JANUARY 1, AS RESTATED	\$ 1,517,389	\$ 902,261	\$ 15,917	\$ -	\$ -	\$ 1,677,516	\$ 4,113,083
CASH BASIS FUND BALANCES, DECEMBER 31	\$ 2,097,563	\$ 887,910	\$ 20,334	\$ 11	\$ 31	\$ 1,939,677	\$ 4,945,526

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**MORGAN COUNTY, MISSOURI**  
**STATEMENT OF FIDUCIARY NET ASSETS- CASH BASIS**  
**DECEMBER 31, 2008 AND 2007**

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	FIDUCIARY FUNDS	
	2008	2007
<b>ASSETS</b>		
Cash	\$ 12,051,236	\$ 12,581,601
Certificates of deposit	140,608	113,552
Total Assets	\$ 12,191,844	\$ 12,695,153
<b>LIABILITIES</b>		
Due to others	\$ 12,191,844	\$ 12,695,153
Total Liabilities	\$ 12,191,844	\$ 12,695,153

**THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**MORGAN COUNTY, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE TWO YEARS ENDED DECEMBER 31, 2008**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

As discussed further in Note 1.C., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The GASB is responsible for establishing generally accepted accounting principles for state and local governments. The significant accounting policies related to those principles and used by the county are described below.

**1. A. FINANCIAL REPORTING ENTITY**

A financial reporting entity consists of (1) the primary government, (2) component units, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. The primary government of Morgan County consists of all funds that are not legally separate from the county. The fund independent and legally separate from the County is the Health Center Fund. This fund has been audited independently by other independent auditors and reported upon separately. The Sheltered Workshop Fund and the Senior Services Fund, although having separate governing boards, have been included within the primary government since they have not been considered legally separate from the county. The Health Center has a separate governing board and does not meet the criteria of being a component unit of the County. In determining the financial reporting entity, the county complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Component units are legally separate organizations for which the county government is financially accountable. The county is financially accountable for an organization if the county appoints a voting majority of the organization's governing board and (1) is able to significantly influence the programs or services provided or performed by the organization or (2) is legally entitled to and or can otherwise access the organization's resources; is legally obligated for or has otherwise assumed the obligation to finance the organization's deficits or provide financial support to it; or is obligated in some manner for the organization's debt. Component units also may include organizations that are fiscally dependent on the county because their budgets, tax levies, or debt issuances are approved by the county. Based on application of the above criteria, the county has no component units.

**1. B. BASIS OF PRESENTATION**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements display information about the County as a whole. These statements include the financial activities of the primary government, except for the activities of the fiduciary funds. The primary government's financial activities are required to be classified as governmental or business-like. Governmental activities generally are financed through taxes, intergovernmental receipts, and other nonexchange transactions. Business-like activities are financed wholly or partially by fees charged to external parties for goods or services. The County has no business-like activities.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a

**MORGAN COUNTY, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE TWO YEARS ENDED DECEMBER 31, 2008**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses.

Funds are organized into two major categories: governmental and proprietary. The County has no proprietary funds but does have fiduciary funds. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the County and meets the following criteria:

- a. Total assets, revenues, or expenditures/expenses of that individual governmental fund are at least 10% of the corresponding total for all funds of that category, and
- b. Total assets, revenues or expenditures/expenses of the individual governmental fund are at least 5% of the corresponding total for all governmental funds and enterprise funds combined.

The County's financial statements are structured into two categories of funds – governmental and fiduciary. Governmental funds are those through which most governmental functions typically are financed. Reporting for such funds focuses on the sources, uses, and balances of current resources. The county's major governmental funds consist of the following:

**GOVERNMENTAL FUNDS:**

General Fund:

The General Fund is the primary operating fund of the county and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the county. The following special revenue funds are considered major funds of the county.

Special Road and Bridge Fund: This fund accounts for property tax collections and other receipts that are legally restricted to disbursements for road and bridge purposes.

Assessment Fund: This fund accounts for intergovernmental receipts that are legally restricted to disbursements for assessment purposes.

911 Fund: This fund accounts for charges for services and other receipts that are legally restricted to disbursements for emergency 911 purposes.

Law Enforcement Sales Tax Fund: This fund accounts for sales taxes and other receipts that are legally restricted to disbursements for law enforcement purposes.

The special revenue funds of the county not considered to be major funds are aggregated as nonmajor governmental funds.

Separate from major funds and aggregated nonmajor funds are the fiduciary funds. Fiduciary funds account for assets held by the county elected officials as a trustee or an agent for individuals, private organizations, or other governments. Fiduciary fund reporting focuses on net

**MORGAN COUNTY, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE TWO YEARS ENDED DECEMBER 31, 2008**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

assets; fiduciary assets are reported in a separate Statement of Fiduciary Net Assets because the county cannot use those assets to finance its operations. The county's fiduciary funds consist of agency funds, which report assets held in a purely custodial capacity and do not involve measurement of results of operations.

**1. C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus, within the limitations of the cash basis of accounting, as defined below. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the cash basis of accounting, is used as appropriate. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and fund balance are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental activities are presented using the cash basis of accounting. This basis recognizes amounts when received or disbursed in cash. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Generally accepted accounting principles for state and local governments require revenues to be recognized when they are earned or when they become available and measurable and expenditures or expenses to be recognized when the related liabilities are incurred. If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting and all government-wide financials would be presented on the accrual basis of accounting.

Property tax receipts are recognized when the County Treasurer receives them from the County Collector instead of when received by the County Collector. Some other lesser receipts from other County officials are also recognized only when received by the Treasurer. This practice is a departure from cash basis accounting and is followed by all third class counties (the counties with the smallest revenue base) in Missouri. Cash basis accounting requires all receipts be recognized in the County's funds when received instead of when turned over to the County Treasurer. This practice of late recognition is consistent between years and is largely completed by the end of January each year.

**MORGAN COUNTY, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE TWO YEARS ENDED DECEMBER 31, 2008**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

**1. D. ASSETS AND EQUITY**

CASH

For the purpose of financial reporting, "cash" includes all demand and savings accounts.

CERTIFICATES OF DEPOSITS

Non-negotiable certificates of deposit are carried at cost, which approximates fair value.

INVENTORIES AND CAPITAL ASSETS

Inventories include office, housekeeping, and road maintenance supplies. Capital assets consist of land, buildings, furniture and equipment, vehicles, and infrastructure such as roads and bridges. Both inventories and capital assets are recorded as disbursements when they are purchased or constructed.

LONG-TERM DEBT

Long-term debt arising from cash transactions are recorded as disbursements when bond principal and interest payments are made.

EQUITY CLASSIFICATION

**Government-Wide Statements**

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

a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted".

It is the county's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The county does not capitalize its capital assets and does not present any debt against those capital assets.

**Fund Financial Statements**

Governmental fund equity is classified as fund balance and also may be displayed in two components; reserved and unreserved. Fund balance is reported as reserved to indicate that a portion of the fund balance is not available for appropriation or is legally segregated for a specific future use. When such restrictions do not exist, fund balance is reported as unreserved.

**MORGAN COUNTY, MISSOURI  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE TWO YEARS ENDED DECEMBER 31, 2008**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

**1. E. REVENUES, EXPENDITURES, AND EXPENSES**

In the Statement of Activities, cash basis revenues that are derived directly from each activity or from parties outside the county's taxpayers are reported as program receipts. The County has the following program receipts in each activity:

General county government	Charges for services revenues and operating grants and distributions from local, state, or federal government agencies.
Roads and bridges	Operating grants and distributions from the state of Missouri.
Public safety	Charges for services revenues and operating grants and distributions from local, state, or federal government agencies.
Health and Welfare	Charges for services revenues.

All other governmental receipts are reported as general and all taxes are classified as general revenues.

**1. F. INTERNAL ACTIVITIES**

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

Interfund transfers occurred primarily because they were statutorily required or allowed, such as transfer of an administrative service fee to the General Fund from the Road and Bridge Fund; contributions of General Fund monies to the Assessment Fund to pay for assessment and equalization maintenance costs not met by other sources of receipts; or contributions of General Fund monies to the 911 and Law Enforcement Sales Tax funds to pay for general operating costs.

Government-Wide Financial Statements

Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

**1. G. USE OF ESTIMATES**

The preparation of financial statements in conformity with the cash basis of accounting used by the County requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

By its nature as a local government unit, the county and the respective boards are subject to various federal, state, and local laws and contractual obligations. The following instances of noncompliance are not considered material to the basic financial statements.

**MORGAN COUNTY, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE TWO YEARS ENDED DECEMBER 31, 2008**

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**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**2. A. UNINSURED AND UNCOLLATERALIZED DEPOSITS**

In accordance with State law, all uninsured deposits of County funds in financial institutions must be secured with acceptable collateral. Information on these deposits and investments and the collateral is provided below in Note 3.A. For the purposes of analyzing risk to County funds, deposits with financial institutions include all demand, time, and savings accounts, including non-negotiable certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit union. County funds were adequately insured with FDIC coverage and additional collateralized securities as of December 31, 2008 and 2007.

**2. B. BUDGETARY NONCOMPLIANCE**

For the year ended December 31, 2008, disbursements exceeded budgeted amounts at the legal level of control for the Law Enforcement Sales Tax Fund by \$59,486.

**2.C. PUBLISHED FINANCIAL STATEMENTS**

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. The county's published financial statements for the years ended December 31, 2008 and 2007 included all respective funds of the county.

**NOTE 3: DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for various assets, revenues, and expenditures.

**3. A. CASH AND INVESTMENTS**

**CASH AND INVESTMENTS**

Disclosures are provided below to comply with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of deposits, Section 110.020, RSMo, requires depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the entity or a financial institution other than the depository bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Morgan County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

**MORGAN COUNTY, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE TWO YEARS ENDED DECEMBER 31, 2008**

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**NOTE 3: DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)**

**3. A. CASH AND INVESTMENTS (CONTINUED)**

The county's deposits at December 31, 2008 and 2007 were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by the county's custodial banks in the city's name.

Investments and Custodial Credit Risk

Investments are limited by State law to the following:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

During the years ended December 31, 2008 and 2007, the county's investments consisted solely of non-negotiable certificates of deposit whose original maturity term exceeded three months. For purposes of custodial credit risk, the certificates of deposit are included in the preceding deposits risk analysis. Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2008 and 2007, the county had no such investments.

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The primary government of the County has adopted such a policy.

**MORGAN COUNTY, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE TWO YEARS ENDED DECEMBER 31, 2008**

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**NOTE 3:       DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)**

**3. B.   PROPERTY TAXES**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The County bills and collects its own property taxes and also taxes for most other local governments in the county. Collections for other governments and remittances to those governments by the County Treasurer are accounted for in various County Treasurer’s agency funds.

**3. C.   RESTRICTED ASSETS/LONG-TERM DEBT**

The County has restricted assets only to the special revenue funds at December 31, 2008 and 2007 with no restricted funds for debt retirement. The County had long-term debt at December 31, 2008 and 2007 of general obligation bonds for the Morgan County Justice Center totaling \$2,440,000 and \$2,795,000, respectively. Interest rates on these outstanding bonds range from 3.400% to 4.650% and the bonds are due September 2014. Bond principal and interest payments are recorded in the Law Enforcement Sales Tax Fund.

The County also has fourteen Neighborhood Improvement Districts (NIDs) with individual bonded indebtedness. The total of these bonds at December 31, 2008 and 2007 are \$1,946,000 and \$2,235,000 with approximate interest rates ranging from 4.875% to 7.0% and payoff due dates varying between the NIDs of 2008-2026. Bond principal and interest payments for the NIDs are recorded in the NID Debt Service Funds reflected in the financial statements as a nonmajor government fund. The changes in debt service for the two years ended December 31, 2008 are as follows:

<u>Year Ended December 31, 2007</u>				
	<u>Beginning</u>		<u>Deletions</u>	<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>		<u>Balance</u>
Justice Center	\$ 3,135,000	-	\$ 340,000	\$ 2,795,000
NIDs	<u>2,506,000</u>	<u>-</u>	<u>271,000</u>	<u>2,235,000</u>
<b>Total</b>	<b>\$ <u>5,641,000</u></b>	<b><u>-</u></b>	<b>\$ <u>611,000</u></b>	<b><u>5,030,000</u></b>

<u>Year Ended December 31, 2008</u>				
	<u>Beginning</u>		<u>Deletions</u>	<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>		<u>Balance</u>
Justice Center	\$ 2,795,000	-	\$ 355,000	\$ 2,440,000
NIDs	<u>2,235,000</u>	<u>-</u>	<u>289,000</u>	<u>1,946,000</u>
<b>Total</b>	<b>\$ <u>5,030,000</u></b>	<b><u>-</u></b>	<b>\$ <u>644,000</u></b>	<b><u>4,386,000</u></b>

Debt service requirements until maturity for both the Justice Center and all NIDs as of December 31, 2008 are as follows:

**MORGAN COUNTY, MISSOURI  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE TWO YEARS ENDED DECEMBER 31, 2008**

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**NOTE 3:       DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)**

**3. C.   RESTRICTED ASSETS/LONG-TERM DEBT (CONTINUED)**

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 646,000	\$ 197,953
2010	689,000	169,810
2011	716,000	138,612
2012	747,000	105,544
2013	774,000	70,341
2014 – 2018	699,000	70,594
2019 – 2023	67,000	21,840
2024 – 2026	48,000	4,778
Total	\$ <u>4,386,000</u>	\$ <u>779,472</u>

**3. D.   INTERFUND TRANSFERS**

Transfers between funds of the primary government for the years ended December 31, 2008 and 2007 were as follows:

	<u>Year Ended December 31, 2008</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
<b>MAJOR FUNDS:</b>		
General Fund:		
Special Road and Bridge Fund	\$ 54,000	\$ -
911 Fund	-	268,865
Law Enforcement Sales Tax Fund	-	1,378,391
Other government funds		34,796
Special Road and Bridge Fund:		
General Fund	-	54,000
911 Fund:		
General Fund	268,865	-
Law Enforcement Sales Tax Fund:		
General Fund	1,378,391	-
Drug Task Force Supplementary Grant Fund	34,796	
Grand Totals	\$ <u>1,736,052</u>	\$ <u>1,736,052</u>

	<u>Year Ended December 31, 2007</u>	
	<u>Transfers In</u>	<u>Transfers out</u>
<b>MAJOR FUNDS:</b>		
General Fund:		
Special Road and Bridge Fund	\$ 45,000	\$ -
911 Fund	-	222,602
Law Enforcement Sales Tax Fund	-	1,139,075
Special Road and Bridge Fund:		
General Fund	-	45,000
911 Fund:		
General Fund	222,602	-
Law Enforcement Sales Tax Fund:		
General Fund	1,139,075	-
Grand Totals	\$ <u>1,406,677</u>	\$ <u>1,406,677</u>

**MORGAN COUNTY, MISSOURI  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE TWO YEARS ENDED DECEMBER 31, 2008**

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**NOTE 3:       DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)**

**3. D.   INTERFUND TRANSFERS (CONTINUED)**

The transfer from Special Road and Bridge Fund to the General Fund is based upon a statutory authority for administrative purposes. The transfers from General Fund to the 911 Fund, the Law Enforcement Sales Tax Fund, and the Drug Task Force Supplementary Grant Fund are to contribute monies for operation of those funds.

**NOTE 4:       OTHER NOTES**

**4. A.   COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS**

The county provides vacation leave to its employees. Full-time county employees accrue vacation leave at one-half day per month after 90 days (introductory period) and up to four years of service, one day per month for four years through nine years of service, and one and one-half days per month for ten or more years of service. Employees may carry vacation leave up to a maximum of eighteen days. Any employee with benefits leaving the county service shall be compensated for vacation credit unused to the date of termination.

Full-time county employees accrue personal leave (sick leave) at one day per month. Personal leave can be accumulated to a maximum of thirty-six days. Personal leave is not paid upon termination of employment with the county. Vacation and personal leave amounts are reported as disbursements when they are paid.

Accrued liabilities related to compensated absences and any employer-related costs earned and unpaid are not reflected in the government-wide or fund financial statements. The County has not restricted any net assets or reserved any fund balance for these commitments.

OTHER POST-EMPLOYMENT BENEFITS

The county does not provide post employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). Under the COBRA the county provides health care benefits to eligible former employees and their dependents. The premiums are paid by the former employees. The county incurs no cost for these benefits.

**4. B.   RETIREMENT PLANS**

**DEFINED BENEFIT PENSION PLAN**

Plan Description

Morgan County contributes to the County Employees' Retirement System (CERS), a mandatory cost-sharing multiple-employer public employee retirement system for Missouri counties, excluding first-class counties with a charter form of government and any city not within a county. The CERS, a defined benefit plan, provides retirement and death benefits to its members and is administered in accordance with Sections 50.1000 through 50.1300, RSMo. Responsibility for the operation and administration of the system is vested in the CERS Board of Directors. The CERS issues a publicly available financial report that includes financial statements and required supplementary information. Copies of the report may be requested from the County Employees' Retirement System, 2121 Schotthill Woods Drive, Jefferson City, Mo 65101.

**MORGAN COUNTY, MISSOURI  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE TWO YEARS ENDED DECEMBER 31, 2008**

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**NOTE 4: OTHER NOTES (CONTINUED)**

**4. B. RETIREMENT PLANS (CONTINUED)**

Funding Policy

Before January 1, 2003, members, except for those who participated in the Local Government Employees Retirement System (LAGERS), were required to make contributions equal to 2 percent of gross compensation. Effective January 1, 2003, in addition to the prior contribution requirements, members hired on or after February 25, 2002, must contribute 4 percent if they participate in the LAGERS and 6 percent if they do not participate in it. If an employee terminates employment before attaining 8 years of creditable service, the CERS refunds the accumulated contributions to the employee. The contribution rate is set by statute.

In addition, the CERS receives a portion of delinquent property tax penalties, penalties for late filing of personal property tax declarations, a portion of document recording fees, a portion of fees for merchants and manufacturers' licenses, and any interest derived from the collection and investment of any part of the penalties and fees. The Office of Secretary of State also collects and remits fees for certain filing transactions to the system. The county contributed \$4,683 and \$5,175 in 2008 and 2007, respectively, to the CERS.

**4. C. DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS**

Plan Description

Morgan County offers employees the opportunity to participate in the CERS defined contribution plan and Internal Revenue Code (IRC) Section 457 deferred compensation plan. The plan's provisions and contribution requirements are established and may be amended only by the Missouri General Assembly. Pension plan members are eligible to participate.

Contributions

Pension plan members who are not LAGERS members are required to contribute .7 percent of gross compensation to the defined contribution plan. Participation in the deferred compensation plan is voluntary and the employee elects the contribution level, subject to the limitations of IRC Sections 401(a) and 457. The CERS Board of Directors decides if matching contributions from the pension plan trust funds for a calendar year will be made to the defined contribution plan accounts of those who participated in the deferred compensation plan. The amount of any matching contribution is determined by the Board and is limited to 50 percent of a non-LAGERS member's (25 percent of a LAGERS member's) voluntary contributions to the deferred compensation plan, up to 3 percent of the non-LAGERS member's (2.5 percent for the LAGERS member's) compensation.

Administration

Maintenance of individual member accounts and custody of assets have been contracted to a third-party administrator and investment custodian, respectively. The counties send member contributions directly to the third-party administrator. Members have several options for investing their contributions and respective share of matching contributions.

**MORGAN COUNTY, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE TWO YEARS ENDED DECEMBER 31, 2008**

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**NOTE 4: OTHER NOTES (CONTINUED)**

**4. D. RISK MANAGEMENT**

The county carries commercial insurance for various risks of loss to which it is exposed, including risks related to torts; theft of, damage to, or destruction of assets; natural disasters; errors and omissions; injuries to employees; and employees' health and life.

The County is a participant in the Missouri Public Entity Risk Management Fund (MoPERM), a body corporate and politic created and governed by Sections 537.700-537.756, RSMo. The purpose of the fund is to provide liability protection to participating public entities and their officials and employees. Annual contributions are collected based on actuarial projections sufficient to pay losses and expenses. Should contributions not be sufficient to meet the fund's obligations, the fund's board can make special assessments. Participants are jointly and severally liable for all claims against the fund. County management believes such coverage is sufficient to preclude any significant uninsured losses to the county. Settled claims have not exceeded this insurance coverage in any of the past three years.

The County is a member of the Missouri Association of Counties Self-Insurance Workers' Compensation and Insurance Fund. The county purchases workers' compensation insurance through this fund, a non-profit corporation established to provide insurance coverage to Missouri Counties. The fund is self-insured up to \$2,000,000 per occurrence and reinsured up to the statutory limit through excess insurance.

**NOTE 5: CONTINGENCIES**

Legal Matters

The County is involved in various threatened litigations at which time the probable outcome is not readily obtainable. The County's management and legal counsel anticipate that the potential claims against the County not covered by insurance, if any, resulting from such matters would not materially affect the financial position of the County.

**NOTE 6: PRIOR PERIOD ADJUSTMENT**

The prior audit of Morgan County, Missouri did not include the financial statements of the Sheltered Workshop (Senate Bill 40 Board) and the Senior Citizens Services. These separate boards were excluded from the county audit as they were considered separate independent governing bodies or political subdivisions. An Attorney General's Opinion subsequently ruled that these boards are a part of the county organization and under the administrative control of the County Commission. The prior cash balance of the Other Governmental Funds at December 31, 2006 has been adjusted to include these boards as follows:

Cash balance as previously reported, December 31, 2006	\$1,542,144
Addition of:	
Sheltered Workshop	89,578
Senior Citizens Services	45,794
Cash balance at December 31, 2006, as restated	\$1,677,516

**REQUIRED SUPPLEMENTARY INFORMATION**

**MORGAN COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL REVENUE FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	Year Ended December 31,							
	2008				2007			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>RECEIPTS</b>								
Property taxes	\$ 385,500	385,500	410,791	25,291	\$ 360,000	360,000	385,476	25,476
Sales taxes	1,100,000	1,100,000	1,039,064	(60,936)	965,000	965,000	1,089,892	124,892
Intergovernmental	-	-	62	62	-	-	18	18
Charges for services	578,950	578,950	539,297	(39,653)	526,700	526,700	562,284	35,584
Interest	100,000	100,000	115,620	15,620	75,000	75,000	96,908	21,908
Other	1,422,220	1,422,220	1,331,117	(91,103)	1,137,320	1,137,320	1,385,806	248,486
Transfers in	54,000	54,000	54,000	-	45,000	45,000	45,000	-
<b>Total Receipts</b>	<b>\$ 3,640,670</b>	<b>3,640,670</b>	<b>3,489,951</b>	<b>(150,719)</b>	<b>\$ 3,109,020</b>	<b>3,109,020</b>	<b>3,565,384</b>	<b>456,364</b>
<b>DISBURSEMENTS</b>								
County Commission	\$ 120,087	120,087	119,230	857	\$ 118,956	118,956	117,947	1,009
County Clerk	105,004	105,004	104,634	370	105,840	105,840	100,308	5,532
Elections	32,500	32,500	59,929	(27,429)	14,530	14,530	5,191	9,339
Buildings and grounds	92,094	92,094	92,622	(528)	90,200	90,200	88,793	1,407
Employee fringe benefits	140,400	140,400	135,593	4,807	136,235	136,235	125,210	11,025
County Treasurer	37,700	37,700	36,260	1,440	37,000	37,000	36,032	968
County Collector	124,942	124,942	123,281	1,661	126,677	126,677	121,435	5,242
Ex Officio Recorder of Deeds	73,052	73,052	72,594	458	70,380	70,380	68,399	1,981
Circuit Clerk	8,350	8,350	7,419	931	7,600	7,600	7,858	(258)
Associate Circuit Court	30,540	30,540	29,200	1,340	29,138	29,138	27,894	1,244
Court administration	9,000	9,000	7,301	1,699	9,000	9,000	8,055	945
Public Administrator	75,199	75,199	74,027	1,172	73,228	73,228	73,494	(266)
Prosecuting Attorney	286,786	286,786	283,546	3,240	259,336	259,336	249,002	10,334
Juvenile Officer	62,520	62,520	54,323	8,197	62,519	62,519	33,390	29,129
County Coroner	25,500	25,500	29,462	(3,962)	29,340	29,340	20,377	8,963
Circuit Judge Division 1 & 2	13,421	13,421	8,129	5,292	13,211	13,211	8,571	4,640
Insurance	30,000	30,000	12,027	17,973	14,000	14,000	25,794	(11,794)
Publication costs	6,000	6,000	3,939	2,061	6,000	6,000	4,443	1,557
Plat Books	-	-	-	-	20,000	20,000	20,650	(650)
University Extension Services	34,925	34,925	34,738	187	34,100	34,100	32,490	1,610
Emergency Management	27,206	27,206	27,562	(356)	20,750	20,750	22,614	(1,864)
Utilities	14,800	14,800	15,185	(385)	14,800	14,800	13,527	1,273
Telephone	12,000	12,000	11,916	84	10,500	10,500	11,318	(818)
Outside services	50,000	50,000	39,507	10,493	50,000	50,000	38,211	11,789
Dues and subscriptions	10,000	10,000	5,343	4,657	10,000	10,000	-	10,000
Equipment	200,000	200,000	217,189	(17,189)	200,000	200,000	200,965	(965)
Capital improvements - jail	450,000	450,000	444,050	5,950	350,000	350,000	144,397	205,603
Capital improvements - courthouse	25,000	25,000	23,738	1,262	25,000	25,000	2,720	22,280
Other	10,000	10,000	968	9,032	10,000	10,000	14,448	(4,448)
Transfers out	1,575,979	1,575,979	1,682,052	(106,073)	1,550,354	1,550,354	1,361,677	188,677
Emergency fund	109,300	109,300	-	109,300	93,271	93,271	-	93,271
<b>Total Disbursements</b>	<b>\$ 3,792,305</b>	<b>3,792,305</b>	<b>3,755,764</b>	<b>36,541</b>	<b>\$ 3,591,965</b>	<b>3,591,965</b>	<b>2,985,210</b>	<b>606,755</b>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(151,635)	(151,635)	(265,813)	(114,178)	(482,945)	(482,945)	580,174	1,063,119
FUND BALANCE, JANUARY 1	2,097,563	2,097,563	2,097,563	-	1,517,389	1,517,389	1,517,389	-
FUND BALANCE, DECEMBER 31	<b>\$ 1,945,928</b>	<b>1,945,928</b>	<b>1,831,750</b>	<b>(114,178)</b>	<b>\$ 1,034,444</b>	<b>1,034,444</b>	<b>2,097,563</b>	<b>1,063,119</b>

**MORGAN COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**SPECIAL ROAD AND BRIDGE FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	Year Ended December 31,							
	2008				2007			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>RECEIPTS</b>								
Property taxes	\$ 338,000	338,000	383,263	45,263	\$ 313,000	313,000	327,807	14,807
Intergovernmental	1,409,590	1,409,590	1,339,824	(69,766)	1,346,670	1,346,670	1,380,507	33,837
Interest	50,000	50,000	55,284	5,284	55,000	55,000	49,803	(5,197)
Other	40,000	40,000	251,858	211,858	15,000	15,000	30,481	15,481
Total Receipts	\$ 1,837,590	1,837,590	2,030,229	192,639	\$ 1,729,670	1,729,670	1,788,598	58,928
<b>DISBURSEMENTS</b>								
Salaries	\$ 540,000	540,000	557,489	(17,489)	510,000	510,000	504,785	5,215
Employee fringe benefits	138,700	138,700	122,735	15,965	130,857	130,857	128,541	2,316
Supplies	210,000	210,000	274,028	(64,028)	177,000	177,000	183,623	(6,623)
Insurance	28,500	28,500	40,861	(12,361)	34,000	34,000	28,060	5,940
Road & bridge materials	175,000	175,000	334,077	(159,077)	162,000	162,000	161,680	320
Equipment repairs	50,000	50,000	64,331	(14,331)	50,000	50,000	43,296	6,704
Equipment purchases	250,000	250,000	144,584	105,416	300,000	300,000	191,276	108,724
Construction, repair, and maintenance projects	450,000	450,000	152,935	297,065	450,000	450,000	243,659	206,341
CART and marine gas tax to special roads	250,426	250,426	174,074	76,352	246,207	246,207	251,099	(4,892)
Other	22,800	22,800	24,646	(1,846)	14,300	14,300	21,930	(7,630)
Transfers out	54,000	54,000	54,000	-	45,000	45,000	45,000	-
Total Disbursements	\$ 2,169,426	2,169,426	1,943,760	225,666	\$ 2,119,364	2,119,364	1,802,949	316,415
RECEIPTS OVER (UNDER) DISBURSEMENTS	(331,836)	(331,836)	86,469	418,305	(389,694)	(389,694)	(14,351)	375,343
FUND BALANCE, JANUARY 1	887,910	887,910	887,910	-	902,261	902,261	902,261	-
FUND BALANCE, DECEMBER 31	\$ 556,074	556,074	974,379	418,305	\$ 512,567	512,567	887,910	375,343

**MORGAN COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**ASSESSMENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	Year Ended December 31,							
	2008				2007			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>RECEIPTS</b>								
Intergovernmental	\$ 436,048	436,048	464,862	28,814	\$ 413,938	413,938	437,947	24,009
Interest	5,780	5,780	6,785	1,005	2,000	2,000	5,780	3,780
Transfers in	4,562	4,562	-	(4,562)	41,023	41,023	-	(41,023)
Total Receipts	\$ 446,390	446,390	471,647	25,257	\$ 456,961	456,961	443,727	(13,234)
<b>DISBURSEMENTS</b>								
Salaries	\$ 322,068	322,068	307,822	14,246	\$ 310,153	310,153	294,948	15,205
Fringe benefits	57,356	57,356	52,650	4,706	53,168	53,168	49,372	3,796
Office supplies	13,700	13,700	14,405	(705)	20,000	20,000	14,065	5,935
Equipment	21,000	21,000	17,456	3,544	5,000	5,000	2,678	2,322
Travel and training	15,300	15,300	11,179	4,121	10,500	10,500	12,064	(1,564)
Telephone	1,300	1,300	1,648	(348)	1,100	1,100	1,238	(138)
Postage	12,000	12,000	7,754	4,246	10,000	10,000	11,021	(1,021)
Aerial photography	24,000	24,000	22,149	1,851	47,040	47,040	53,924	(6,884)
Total Disbursements	\$ 466,724	466,724	435,063	31,661	\$ 456,961	456,961	439,310	17,651
RECEIPTS OVER (UNDER) DISBURSEMENTS	(20,334)	(20,334)	36,584	56,918	-	-	4,417	4,417
FUND BALANCE, JANUARY 1	20,334	20,334	20,334	-	15,917	15,917	15,917	-
FUND BALANCE, DECEMBER 31	\$ -	-	56,918	56,918	\$ 15,917	15,917	20,334	4,417

**MORGAN COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**911 FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	Year Ended December 31,							
	2008				2007			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>RECEIPTS</b>								
Intergovernmental	\$ 88,999	88,999	90,749	1,750	\$ 80,299	80,299	80,230	(69)
Interest	-	-	119	119	200	200	103	(97)
Other	228,000	228,000	239,264	11,264	226,380	226,380	228,312	1,932
Transfers in	284,098	284,098	268,865	(15,233)	240,666	240,666	222,602	(18,064)
<b>Total Receipts</b>	<b>\$ 601,097</b>	<b>601,097</b>	<b>598,997</b>	<b>(2,100)</b>	<b>\$ 547,545</b>	<b>547,545</b>	<b>531,247</b>	<b>(16,298)</b>
<b>DISBURSEMENTS</b>								
Salaries	\$ 470,192	470,192	468,245	1,947	\$ 414,680	414,680	409,853	4,827
Office expenditures	17,000	17,000	17,060	(60)	18,000	18,000	15,510	2,490
Equipment	21,470	21,470	22,422	(952)	22,865	22,865	14,296	8,569
Mileage and training	11,000	11,000	11,288	(288)	10,000	10,000	10,831	(831)
Line charges	80,000	80,000	79,993	7	80,000	80,000	79,721	279
Other	1,435	1,435	-	1,435	2,000	2,000	1,025	975
<b>Total Disbursements</b>	<b>\$ 601,097</b>	<b>601,097</b>	<b>599,008</b>	<b>2,089</b>	<b>\$ 547,545</b>	<b>547,545</b>	<b>531,236</b>	<b>16,309</b>
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	(11)	(11)	-	-	11	11
FUND BALANCE, JANUARY 1	11	11	11	-	-	-	-	-
FUND BALANCE, DECEMBER 31	<b>\$ 11</b>	<b>11</b>	<b>-</b>	<b>(11)</b>	<b>\$ -</b>	<b>-</b>	<b>11</b>	<b>11</b>

**MORGAN COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
LAW ENFORCEMENT SALES TAX FUND  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	Year Ended December 31,							
	2008				2007			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS								
Sales taxes	\$ 1,200,000	1,200,000	1,126,814	(73,186)	\$ 1,040,000	1,040,000	1,160,065	120,065
Interest	2,500	2,500	52	(2,448)	9,000	9,000	2,284	(6,716)
Other	368,500	368,500	412,548	44,048	317,000	317,000	358,306	41,306
Transfers in	1,287,350	1,287,350	1,378,391	91,041	1,268,665	1,298,665	1,139,075	(159,590)
Total Receipts	\$ 2,858,350	2,858,350	2,917,805	59,455	\$ 2,634,665	2,664,665	2,659,730	(4,935)
DISBURSEMENTS								
Salaries	\$ 1,310,100	1,310,100	1,298,302	11,798	\$ 1,151,868	1,181,868	1,214,517	(32,649)
Employee fringe benefits	276,740	276,740	256,164	20,576	228,187	228,187	233,245	(5,058)
Office expenditures	52,500	52,500	52,629	(129)	57,500	57,500	58,842	(1,342)
Equipment	54,000	54,000	52,864	1,136	56,400	56,400	52,519	3,881
Mileage and Training	183,500	183,500	181,888	1,612	135,000	135,000	159,079	(24,079)
Other	43,010	43,010	117,652	(74,642)	43,010	43,010	41,290	1,720
Jail	294,500	294,500	326,604	(32,104)	322,000	322,000	260,146	61,854
Bond payment	476,000	476,000	477,656	(1,656)	476,000	476,000	475,676	324
Utilities	68,000	68,000	65,372	2,628	64,700	64,700	66,378	(1,678)
Insurance	100,000	100,000	88,705	11,295	100,000	100,000	98,007	1,993
Total Disbursements	\$ 2,858,350	2,858,350	2,917,836	(59,486)	\$ 2,634,665	2,664,665	2,659,699	4,966
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	(31)	(31)	-	-	31	31
FUND BALANCE, JANUARY 1	31	31	31	-	-	-	-	-
FUND BALANCE, DECEMBER 31	\$ 31	31	-	(31)	\$ -	-	31	31

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

**MORGAN COUNTY, MISSOURI**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE TWO YEARS ENDED DECEMBER 31, 2008**

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Budgets and Budgetary Practices

The County Commission, and various county boards, prepare their operating budget for various county funds under the budgetary statutes (Sections 50.525 – 50.745 of the state of Missouri. In accordance with these statutes, the following process is used to adopt the annual budget:

- a. Prior to January, the budget officer (County Clerk) and administrative officers of the various boards submit a proposed operating budget for the ensuing calendar year to the County Commission or to the applicable governing boards.
- b. Public hearings are conducted to obtain citizen comments.
- c. Subsequent to the budget hearings, the budgets (as amended and approved) are adopted by the County Commission or by the applicable boards.
- d. The approved budgets for the county and applicable boards are to be submitted to the county budget officer (County Clerk) and filed with the State Auditor's Office by January 31.

The legal level of control at which total disbursements may not legally exceed appropriations is at the fund level. Budget revisions or amendments may be changed by the County Commission or applicable boards during the year in accordance with provisions of the state law, and must also be filed with the State Auditor's Office.

Budgetary Noncompliance

The total disbursements for the Law Enforcement Sales Tax Fund were \$59,486 greater than the total appropriations for the year ended December 31, 2008.

Basis of Accounting

The budgets are prepared on the cash basis of accounting as applied to the governmental funds in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions. Additionally, as in the financial statements, the budgets also are based on receipts recognized only when received by the Treasurer.

**SUPPLEMENTARY INFORMATION**

# CASEY AND COMPANY OF COLUMBIA, L.L.C.



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September 24, 2009

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

To the County Commission  
Morgan County, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morgan County, Missouri, as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Morgan County Missouri's basic financial statements and have issued our report thereon dated September 24, 2009. The report on the General Revenue, the Special Road and Bridge, and the Assessment funds was qualified for tax revenues being recognized by the County when received by the Treasurer instead of when received by the Collector. Additionally, the report on the governmental activities and all major and non-major funds was qualified for the cash basis of accounting. 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 Morgan County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

MEMBER  
•  
American  
Institute of  
Certified  
Public  
Accountants  
•  
Missouri  
Society of  
Certified  
Public  
Accountants  
•

However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency in internal control over financial reporting (2009-01). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Morgan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 an instance of noncompliance or other matters (2009-01) that is required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, County Commission, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Casey and Company, LLC*

Casey and Company L.L.C.  
Certified Public Accountants  
Columbia, Missouri

**MORGAN COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE TWO YEARS ENDED DECEMBER 31, 2008**

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**FINANCIAL STATEMENT FINDING:**

Finding 2009-01      Law Enforcement Sales Tax Fund Total Appropriation Overspent

**Condition:**      The total expenditures of the Law Enforcement Sales Tax Fund exceeded the total budgeted appropriation by \$59,486 for the year ended December 31, 2008.

**Criteria:**      State law Section 50.650, states that the accounting officer (County Clerk) is personally liable on his/her bond for the amount of any obligation incurred by the erroneous certification as to the sufficiency of an appropriation or of a cash balance, or for any warrant drawn when there is not a sufficient amount unencumbered in the appropriation.

**Cause:**      The County did not review its total expenditures against the total appropriations toward year end in order to properly prepare an amended budget.

**Effect:**      The County was in violation of state law by exceeding the budgeted appropriations in the Law Enforcement Sales Tax Fund.

**Recommendation:**  
The County review its total expenditures of each fund towards the year end to consider amending the budgeted appropriations as required ensuring that total appropriations are not exceeded in the future.

**Response:**      *We concur with the recommendation and will commit to not overspend in our budgets in the upcoming years.*

**Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards***

**MORGAN COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

---

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Morgan County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2006.

The audit report did not disclose any noncompliance and internal control findings that are material to the financial statements of the county.