



THOMAS A. SCHWEICH
Missouri State Auditor

To the County Commission
and
Officeholders of Carroll County, Missouri

The Office of the State Auditor, in cooperation with Carroll County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2010, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in black ink that reads "Thomas A. Schweich". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Thomas A. Schweich
State Auditor

September 2011
Report No. 2011-51

ANNUAL FINANCIAL REPORT

CARROLL COUNTY, MISSOURI

For the Years Ended
December 31, 2010 and 2009

CARROLL COUNTY, MISSOURI

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INTRODUCTORY SECTION

CARROLL COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Nelson Heil

District Two Commissioner – David Martin

District One Commissioner – Jim Stewart

Other Elected Officials

Assessor – Devin Ford-Frazier

Circuit Clerk/Ex-Officio Recorder of Deeds – Cheryl Mansur

Collector-Treasurer – Alta O’Neal

Coroner – Steven Bittiker

County Clerk – Peggy McGaugh

Prosecuting Attorney – Joyce Wendel

Public Administrator – Linda Leabo

Sheriff – Troy Hofstetter

INDEPENDENT AUDITORS' REPORT

To the County Commission and
Officeholders of Carroll County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Carroll County, Missouri, as of and for the years ended December 31, 2010 and 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Carroll County, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinions.

As described in Note 1, the basic financial statements of Carroll County, Missouri were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements do not include financial data for the Carroll County Health Center, a legally separate component unit of the County. Accounting principles generally accepted in the United States of America require the financial data for this component unit 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 assets, liabilities, net assets, revenues, and expenses of the aggregate discretely presented component unit are not reasonably determinable.

In our opinion, except for the effect of the omission of the discretely presented component unit, as discussed above, the financial statements referred to above present fairly, in all material respects, the respective financial position — cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of Carroll County, Missouri, as of December 31, 2010 and 2009 and for the years then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 6, 2011 on our consideration of Carroll 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iv through viii and 17 through 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carroll County, Missouri's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

(Original Signed by Auditor)

McBride, Lock & Associates
May 6, 2011

CARROLL COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2010 AND 2009

This discussion and analysis of Carroll County's financial performance provides an overview of the County's financial activity for the years ended December 31, 2010 and 2009. The information below, prepared by the County's management, should be read in conjunction with the 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 expenses 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, public safety, and health and welfare that are usually financed through taxes and intergovernmental receipts. The County has no business-type activities—activities financed wholly or partially by fees charged to external parties for goods or services.

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 sources of receipts. 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.

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 Statement of Fiduciary 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 Management's 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.

In addition, the report includes the Schedule of Expenditures of Federal Awards, required for audits of federal program expenditures conducted in accordance with Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

FINANCIAL HIGHLIGHTS

The County's net assets continue to remain stable or increase. The net assets in total governmental funds on December 31, 2010 increased by a grand total of \$396,126 in the one-year from December 31, 2009.

THE COUNTY AS A WHOLE

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net Assets	\$ 3,201,400	\$ 2,805,274	\$ 2,675,546
Program Receipts	2,509,424	2,357,016	2,641,023
General Receipts	2,007,375	1,766,602	2,206,883
Disbursements	4,120,673	3,977,379	4,546,959
Change in Net Assets	396,126	146,239	300,947

THE COUNTY'S FUNDS

Highlights from 2010

In January of 2010 it looked like the County's budget was one of shrinking assessed valuation of approximately five million dollars due to the diversion of State-assessed value from KCP&L, an anticipated reduction in local sales tax of \$100,000 reflecting fewer taxable goods being purchased in the County; an unprecedented appropriation for funding of the Federal Government and State of Missouri's August Primary and November General elections that included inflated costs due to equipment mandated by the Help America Vote Act (HAVA) as well as numerous other State and Federal unfunded mandates. However on a good note, the TransCanada Keystone Pipeline project infused County General Revenue with an additional \$19,639,561 from Locally Assessed Construction Work in Progress valuation. The closing of the Carroll County Jail allowed for a total savings in excess of \$100,000 by eliminating salaries and benefits of jailers, utility costs and ongoing jail maintenance. Therefore at year-end, things were not as bad as anticipated and the County ended the year with a positive change in net assets of nearly \$ 400,000.

Road and Bridge

Federal Bridge Replacement Off-System program (BRO) monies are federal fuel tax dollars allocated for replacement of bridges. The amount budgeted in 2010 on specific previously obligated bridge projects was \$650,000, an estimated reduction of \$515,000 with future funding of the program unknown. Funding of the estimated expenditures of \$1,637,624 versus the estimated revenues of \$1,464,485 was made possible by the cost saving measures taken in previous years that allowed a carry-over balance in the fund.

Highlights from 2009

A significant change in revenues collected through the State Assessed Railroad and Utilities tax was due to the increased valuation for the new Rockies Express pipeline that was completed in 2008. An increase of \$855,047 in valuation brought in a total of \$27,966 to County General Revenue. In addition to that, the collection of local use tax was boosted significantly during the time the company purchased items and bought goods in the County. The anticipated revenue for the Use Tax in the 2008 budget was \$150,000, with actual tax collected being \$562,391. This positive difference of \$412,391 certainly went a long way in helping to balance the 2009 budget.

The significant change in the Assessment fund in 2009 was a settlement and release of claim agreement by and between Assessor Devin Ford Frazier and the County in the amount of \$26,569 as un-liquidated back pay to settle in full all claims for the dispute over the proper level of pay due to an Official as a result of the application of the elected officials' pay principles determined in the Court of Appeals case of Goodwin vs. Carroll County.

A significant change in County Revenue in 2009 was the decision to house prisoners from the Carroll County Jail to the 222 bed facility in Henrietta, Missouri operated by Ray County. The Carroll County Commission and the newly elected Sheriff took a look at the rising costs and diminishing revenues associated with operating the facility along with the suggestions of MOPERM, the Counties liability insurance carrier, to reach this decision.

In December 2009 the Circuit Clerk and Associate Division II offices were consolidated by the Supreme Court. This consolidation affected all clerical functions of the Circuit Court into a single office to include the Office of the Circuit Clerk, Associate Division, Probate Division and Juvenile Division which will now be known as "Circuit Court". The appointing authority exercising control over these State-paid deputies and Division clerks is the Associate Circuit Judge Kevin Walden. Very little change to the revenues or expenditures of the Carroll County 2010 budget was noted other than the elimination of redundant funds that were combined. Other redundant departmental revenues and expenditures combined for budgetary purposes were the Sheriff and Jail departments which are now combined together as one.

CAPITAL ASSET AND DEBT ADMINISTRATION

The County continues to pay quarterly payments of \$9,299 on a lease/purchase plan with Baystone Financial services for a Hyundai Excavator. The total cost was \$134,600 in 2006 and was completed in April of 2010. The County paid off the energy loan for the courthouse windows with the Department of Natural Resources in 2010.

The Carroll County Clerk, Assessor and Collector-Treasurer continue to make payments on a lease purchase for the upgrade of hardware and software associated with a computer system purchased in 2007. The total cost of the equipment and software was \$80,000 paid to Tyler Technologies. Quarterly payments of \$4,050 continue to be required until June of 2013.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

County Revenue

The second pipeline project, Keystone/TransCanada Line, began in 2009 with locally assessed value for new construction being put on the books for 2010 and State assessed valuation to be added to the State-assessed values in 2011. This valuation is expected to increase our State-assessed valuation considerably.

Road and Bridge

The Road and Bridge funds are anticipated to be majorly affected by the Federal cuts and withholding of State funds. Until the fate of the Bridge Replacement Off-System program is known, fewer federal bridges will be programmed and further reductions may be necessary.

Assessment Fund

The Assessment fund will most likely be the hardest fund hit proportionately due to the State of Missouri General Assembly slashing the per parcel reimbursement of the expenses of the Assessor's office from \$5.99 per parcel to \$4.00 per parcel in 2010 and confirmed to be \$3.84 per parcel for fiscal year 2011-12. This level of funding does not begin to meet fifty percent of the expenditures in the office of the Assessor.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

Questions about this report or requests for additional information should be addressed to Peggy McGaugh, Carroll County Clerk, 8 South Main, Suite 6, Carrollton, Missouri 64633, Phone 660-542-0615.

FINANCIAL SECTION

CARROLL COUNTY, MISSOURI
 COMPARATIVE GOVERNMENT-WIDE STATEMENTS OF NET ASSETS - CASH BASIS
 DECEMBER 31, 2009 AND 2010

	December 31,	
	<u>2009</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 2,805,274	\$ 3,201,400
Total Assets	<u>\$ 2,805,274</u>	<u>\$ 3,201,400</u>
NET ASSETS		
Restricted	\$ 1,684,483	\$ 1,798,035
Unrestricted	<u>1,120,791</u>	<u>1,403,365</u>
Total Net Assets	<u>\$ 2,805,274</u>	<u>\$ 3,201,400</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CARROLL COUNTY, MISSOURI
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
 YEAR ENDED DECEMBER 31, 2010

		Program Receipts		Excess Disbursements Over Program Receipts and Changes in Net Assets
	Disbursements	Charges for Services	Intergovernmental	Governmental Activities
GOVERNMENTAL ACTIVITIES				
General county government	\$ 1,181,910	\$ 437,866	\$ 282,115	\$ (461,929)
Public safety	1,253,941	87,720	4,176	(1,162,045)
Judicial	29,161	40,863	631	12,333
Public works	1,496,972	39,582	1,597,647	140,257
Health and welfare	158,689	-	18,824	(139,865)
Total Governmental Activities	\$ 4,120,673	\$ 606,031	\$ 1,903,393	\$ (1,611,249)
GENERAL RECEIPTS				
Taxes				
Property taxes				\$ 709,946
Sales taxes				695,242
Emergency Telephone System Tax				500,637
Interest				7,218
Other				94,332
Total General Receipts				2,007,375
Changes in Cash Balances				396,126
NET ASSETS, JANUARY 1				2,805,274
NET ASSETS, DECEMBER 31				\$ 3,201,400

The accompanying Notes to the Financial Statements are an integral part of these statements.

CARROLL COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED DECEMBER 31, 2009

	Program Receipts			Excess Disbursements Over Program Receipts and Changes in Net Assets Governmental Activities
	Disbursements	Charges for Services	Intergovernmental	
GOVERNMENTAL ACTIVITIES				
General county government	\$ 1,154,265	\$ 401,542	\$ 261,585	\$ (491,138)
Public safety	1,140,133	92,396	-	(1,047,737)
Judicial	17,029	46,363	738	30,072
Public works	1,520,281	44,200	1,510,192	34,111
Health and welfare	145,671	-	-	(145,671)
	<u>\$ 3,977,379</u>	<u>\$ 584,501</u>	<u>\$ 1,772,515</u>	<u>\$ (1,620,363)</u>
GENERAL RECEIPTS				
Taxes				
Property taxes				\$ 664,058
Sales taxes				482,732
Emergency Telephone System Tax				486,849
Interest				14,120
Other				118,843
				<u>1,766,602</u>
Changes in Cash Balances				146,239
NET ASSETS, JANUARY 1				<u>2,659,035</u>
NET ASSETS, DECEMBER 31				<u>\$ 2,805,274</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CARROLL COUNTY, MISSOURI
 COMPARATIVE GOVERNMENT-WIDE STATEMENTS OF NET ASSETS - CASH BASIS
 DECEMBER 31,

	GENERAL		ROAD AND BRIDGE		COURTHOUSE RESTORATION		EMERGENCY ENHANCED 9-1-1		OTHER GOVERNMENTAL		TOTAL	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
ASSETS												
Cash and cash equivalents	\$ 1,120,791	\$ 1,403,365	\$ 705,550	\$ 878,294	\$ 298,235	\$ 256,766	\$ 322,110	\$ 236,937	\$ 358,588	\$ 426,038	\$ 2,805,274	\$ 3,201,400
Total Assets	<u>\$ 1,120,791</u>	<u>\$ 1,403,365</u>	<u>\$ 705,550</u>	<u>\$ 878,294</u>	<u>\$ 298,235</u>	<u>\$ 256,766</u>	<u>\$ 322,110</u>	<u>\$ 236,937</u>	<u>\$ 358,588</u>	<u>\$ 426,038</u>	<u>\$ 2,805,274</u>	<u>\$ 3,201,400</u>
NET ASSETS												
Unreserved	\$ 1,120,791	\$ 1,403,365	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,120,791	\$ 1,403,365
Unreserved, reported in special revenue funds	-	-	705,550	878,294	298,235	256,766	322,110	236,937	-	-	1,325,895	1,371,997
Unreserved, reported in non-major special revenue funds	-	-	-	-	-	-	-	-	358,588	426,038	358,588	426,038
Total Net Assets	<u>\$ 1,120,791</u>	<u>\$ 1,403,365</u>	<u>\$ 705,550</u>	<u>\$ 878,294</u>	<u>\$ 298,235</u>	<u>\$ 256,766</u>	<u>\$ 322,110</u>	<u>\$ 236,937</u>	<u>\$ 358,588</u>	<u>\$ 426,038</u>	<u>\$ 2,805,274</u>	<u>\$ 3,201,400</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31,

	GENERAL		ROAD AND BRIDGE		COURTHOUSE RESTORATION		EMERGENCY ENHANCED 9-1-1		OTHER GOVERNMENTAL		TOTAL	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
RECEIPTS												
Property taxes	\$ 392,627	\$ 433,058	\$ 78,969	\$ 76,535	\$ -	\$ -	\$ -	\$ -	\$ 192,462	\$ 200,353	\$ 664,058	\$ 709,946
Sales taxes	482,732	695,242	-	-	-	-	486,849	500,637	-	-	969,581	1,195,879
Intergovernmental	64,574	47,792	1,391,254	1,531,843	-	26,737	-	-	316,687	297,021	1,772,515	1,903,393
Charges for services	469,685	490,738	44,200	39,582	-	-	-	-	70,616	75,711	584,501	606,031
Interest	3,993	1,577	606	540	3,091	717	5,286	3,969	1,144	415	14,120	7,218
Other	39,548	68,080	7,256	14,967	-	-	3,813	-	68,226	11,285	118,843	94,332
Transfers in	56,711	76,666	-	-	-	-	-	-	5,777	5,325	62,488	81,991
Total Receipts	<u>\$ 1,509,870</u>	<u>\$ 1,813,153</u>	<u>\$ 1,522,285</u>	<u>\$ 1,663,467</u>	<u>\$ 3,091</u>	<u>\$ 27,454</u>	<u>\$ 495,948</u>	<u>\$ 504,606</u>	<u>\$ 654,912</u>	<u>\$ 590,110</u>	<u>\$ 4,186,106</u>	<u>\$ 4,598,790</u>
DISBURSEMENTS												
General government	\$ 855,051	\$ 885,340	\$ -	\$ -	\$ 20,663	\$ 68,923	\$ -	\$ -	\$ 278,551	\$ 227,647	\$ 1,154,265	\$ 1,181,910
Public safety	605,301	639,914	-	-	-	-	488,339	589,779	46,493	24,248	1,140,133	1,253,941
Judicial	-	-	-	-	-	-	-	-	17,029	29,161	17,029	29,161
Public works	-	-	1,365,658	1,425,712	-	-	-	-	154,623	71,260	1,520,281	1,496,972
Health and welfare	-	-	-	-	-	-	-	-	145,671	158,689	145,671	158,689
Transfers out	5,777	5,325	55,000	65,011	-	-	-	-	1,711	11,655	62,488	81,991
Total Disbursements	<u>\$ 1,466,129</u>	<u>\$ 1,530,579</u>	<u>\$ 1,420,658</u>	<u>\$ 1,490,723</u>	<u>\$ 20,663</u>	<u>\$ 68,923</u>	<u>\$ 488,339</u>	<u>\$ 589,779</u>	<u>\$ 644,078</u>	<u>\$ 522,660</u>	<u>\$ 4,039,867</u>	<u>\$ 4,202,664</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS												
CASH, JANUARY 1	<u>\$ 43,741</u>	<u>\$ 282,574</u>	<u>\$ 101,627</u>	<u>\$ 172,744</u>	<u>\$ (17,572)</u>	<u>\$ (41,469)</u>	<u>\$ 7,609</u>	<u>\$ (85,173)</u>	<u>\$ 10,834</u>	<u>\$ 67,450</u>	<u>\$ 146,239</u>	<u>\$ 396,126</u>
CASH, DECEMBER 31	<u>\$ 1,120,791</u>	<u>\$ 1,403,365</u>	<u>\$ 705,550</u>	<u>\$ 878,294</u>	<u>\$ 298,235</u>	<u>\$ 256,766</u>	<u>\$ 322,110</u>	<u>\$ 236,937</u>	<u>\$ 358,588</u>	<u>\$ 426,038</u>	<u>\$ 2,805,274</u>	<u>\$ 3,201,400</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CARROLL COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF ASSETS AND LIABILITIES
 ARISING FROM CASH TRANSACTIONS
 FIDUCIARY (AGENCY) FUNDS
 December 31,

	<u>2009</u>	<u>2010</u>
Assets		
Cash and cash equivalents	\$ 4,410,545	\$ 4,686,008
Total Assets	<u>\$ 4,410,545</u>	<u>\$ 4,686,008</u>
Liabilities		
Due to Others	\$ 4,410,545	\$ 4,686,008
Total Liabilities	<u>\$ 4,410,545</u>	<u>\$ 4,686,008</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CARROLL COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Carroll County, Missouri (“County”), is governed by a three-member board of commissioners. In addition to the three board members, there are eight elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk/Recorder, Collector-Treasurer, Coroner, Prosecuting Attorney, Public Administrator, and Sheriff.

As discussed further in Note 1, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, except as described in Note 1.A., Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

The County’s operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of Carroll County, Missouri which, except as described in the following paragraph, consists of all funds, organizations, institutions, agencies, departments, and offices that are considered by the Missouri State Auditor’s Office to comprise the County’s legal entity.

The financial statements do not include financial data for the Carroll County Health Center, a legally separate component unit of the County, as required by accounting principles generally accepted in the United States of America.

B. Basis of Presentation

Government-wide Financial Statements:

The statements of net assets and the statements of activities present financial information about Carroll County, Missouri. All County activities are governmental activities generally financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of net assets presents the financial condition of the governmental activities of the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. This comparison identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Direct expenses are those that are specifically associated with a particular function. *Program revenues* are (a) charges to those who purchase, use, or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings and other miscellaneous revenue not properly included among program revenues are presented instead as *general revenues*.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The County has determined that the General Fund, Road and Bridge, Courthouse Restoration, and Emergency Enhanced 911 are major governmental funds. All other governmental funds are reported in one column labeled "Non-major Governmental Funds".

The fund financial statements of the County are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the County:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The measurement focus is upon determination of and changes in financial position. The following are the County's governmental major funds:

General Fund — The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Road and Bridge Fund — A special revenue fund used to account for receipts of State distributions and Federal grants and related expenditures for road maintenance and improvement projects.

Courthouse Restoration Fund – A special revenue fund used to account for receipts of sales tax monies that are restricted to major restoration and improvement projects of the County Courthouse building and grounds.

Emergency Enhanced 911 – A special revenue fund used to account for receipts of sales tax monies that are restricted to the operations of the emergency response system.

The other governmental funds of the County are considered non-major funds and are primarily special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

Fiduciary Fund Types

Agency — Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the cash basis of accounting.

This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that purchases of investments are recorded as assets; funds collected through the agency funds and not yet remitted are recorded as liabilities in the agency funds; and receipts of proceeds of short-term debt are recorded as liabilities. 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 (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds, and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

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, while all government-wide financials would be presented on the accrual basis of accounting.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
8. Adoption of a formal budget is required by law, and the County adopted a formal budget for all funds.
9. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds.

<u>Fund</u>	<u>2010</u>	<u>2009</u>
Assessment	X	N/A
Community Development Block Grant	X	X
Johnson Grass	N/A	X
Emergency Watershed Protection	N/A	X

- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2010 and 2009, for purposes of taxation was:

	<u>2010</u>	<u>2009</u>
Real Estate	\$ 144,501,500	\$ 118,796,831
Personal Property	35,637,896	34,104,490

During 2010 and 2009 the County Commission approved a tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2010 and 2009, for purposes of County taxation, as follows:

	<u>2010</u>	<u>2009</u>
General Revenue	0.2497	0.2542
Johnson Grass	0.0100	0.0100
Senate Bill 40	0.0963	0.0968

The Special Road and Bridge fund does not have a tax levy, however, the fund keeps a commission equal to 5 cents per \$100 of assessed valuation from each of the townships' Road and Bridge levy.

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the fund's average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less.

State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

G. Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

Interfund activities are reported as “transfers in” by the recipient fund and as “transfers out” by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements so that reimbursed expenditures are reported only in the funds incurring the costs.

H. Net Assets/Fund Equity

On the Government-wide financial statements, equity is classified as net assets and displayed in two-components: restricted and unrestricted. Net assets represent the difference between assets and liabilities. Under the cash basis of accounting, liabilities other than loans from other funds and short-term borrowings are not recorded. Therefore, net assets generally equal the cash and cash equivalents balance. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

On the fund financial statements, equity is classified as fund balance and displayed in two components: reserved and unreserved. Any portion of a fund balance that is not appropriate for expenditure or is legally segregated for a specific future use is reported as reserved. All other fund balances are reported as unreserved.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Cash and Cash Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2010 and 2009, the carrying amounts of the County's deposits were \$3,201,400 and \$2,805,274, respectively, and the bank balances were \$8,202,264 and \$7,536,507, respectively. Of the bank balances, \$572,488 and \$637,566 for December 31, 2010 and 2009, respectively, were covered by federal depository insurance and the remainder was covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name.

At December 31, 2010 and 2009, the County Collector held cash representing collections of property taxes on behalf of various taxing districts in the County, including the Senate Bill 40 Board. These amounts, all of which were secured by pledged collateral, amounted to \$4,649,449 and \$4,368,063 at December 31, 2010 and 2009, respectively.

3. INTERFUND TRANSFERS

The County made the following interfund transfers during 2010 and 2009:

Transfers Out	Year Ended December 31, 2010	
	Transfers In	
	General	Non-Major
General	\$ -	\$ 5,325
Road and Bridge	65,011	-
Non-Major Governmental Funds	11,655	-

Transfers Out	Year Ended December 31, 2009	
	Transfers In	
	General	Non-Major
General	\$ -	\$ 5,777
Road and Bridge	55,000	-
Non-Major Governmental Funds	1,711	-

4. COUNTY EMPLOYEES' RETIREMENT FUND - CERF

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement is at age sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is partially funded through various fees collected by Counties and remitted to CERF. Further, a contribution to CERF of 2% of annual salary is required for eligible employees hired before February 2002, while a contribution of 6% of annual salary is required of employees hired after February 2002, in order to participate in CERF. The County employees fund these contributions. During 2010 and 2009, the County collected and remitted to CERF employee contributions of approximately \$37,629 and \$37,960, respectively, for the years then ended.

5. DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

A. Plan Description

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

B. Contributions

Pension plan members are required to contribute 0.7 percent of gross compensation to the defined contribution plan. Contributions of \$34,230 and \$31,180 were made during the years ended December 31, 2010 and 2009, respectively. 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 CERF 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 member's voluntary contributions to the deferred compensation plan, up to 3 percent of the member's compensation.

C. Administration

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

6. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

7. CLAIMS, COMMITMENTS, AND CONTINGENCIES

A. Compensated Absences

The County provides regular full-time employees with up to fifteen days of sick time – to accrue at 1.25 days for each calendar month worked. Upon termination, the employee is not compensated for accrued sick time. Vacation time is accrued for full-time employees at the rate of ten days per year for employees with one to five years of service; eleven days per year with six years of service; twelve days per year with seven years of service; thirteen days with eight years of service; fourteen days with nine years of service; and fifteen days with ten or more years of service, up to a maximum of 30 days. Upon termination, the employee is compensated for accrued vacation time up to a maximum of 30 days.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

C. Taxable Industrial Revenue Bonds

In April 2008, the County issued \$88,500,000 in taxable industrial revenue bonds to finance the acquisition, construction, and equipping of a dry-mill ethanol plant to be leased to Show Me Ethanol, LLC. The bonds will be repaid in various installments beginning in April 2009 from lease payments pursuant to the terms of a Lease Agreement dated April 1, 2008, between the County and Show Me Ethanol. Because the bonds are secured and paid solely from lease payments generated by the project, the bonds do not constitute a liability of the County.

8. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and

expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

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

9. CHANGE IN REPORTING ENTITY

The County has changed its definition of the reporting entity, as of January 1, 2009, to exclude the Law Library, Time Payment Fee, Circuit Court Interest, Associate Circuit Court Interest, Deputy Sheriff Salary Supplemental, and Law Enforcement Training - POST funds. The effect of the aforementioned change in reporting entity is to decrease cash balances of the governmental funds as previously reported at December 31, 2008 by the amount representing cash balances of the excluded funds.

The E-911 fund included within the report is effected by Missouri House Bill 1492 that revised the State statutes regarding emergency service boards. This Board is currently defined as a political subdivision of the state. Therefore, they will not subsequently be included in the scope of the County for reporting purposes. The change was effective as of August 28, 2010. In accordance with this consideration, the emergency service board should not be included as part of the Carroll County reporting entity subsequent to December 31, 2010.

10. LONG TERM DEBT

The County had the following long-term debt outstanding at December 31, 2010:

- A. \$37,232 in loans from a bank to finance a lease agreement for the acquisition of a new computer system. The lease is paid in equal quarterly installments of \$4,050 through June 1, 2013, with interest at 6.243% annually. The schedule of remaining payments and interest is listed below:

<u>Payment Date</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
March 1, 2011	\$ 3,469	\$ 581	\$ 4,050
June 1, 2011	3,523	527	4,050
September 1, 2011	3,578	472	4,050
December 1, 2011	3,634	416	4,050
March 1, 2012	3,691	359	4,050
June 1, 2012	3,749	301	4,050
September 1, 2012	3,807	243	4,050
December 1, 2012	3,866	184	4,050
March 1, 2013	3,927	123	4,050
June 1, 2013	3,988	62	4,050

11. COOPERATIVE VENTURES

The County has representatives on the governing board of the Carroll County Economic Development Board, which was created to promote the growth and stability of the local economy in Carroll County. The Board also consists of members from the town of Carrollton, Carrollton Municipal Utilities, and the Carrollton Area Chamber of Commerce. The County disbursed \$2,500 to the Board in 2010, and \$7,000 in 2009.

12. SUBSEQUENT EVENTS

The County has evaluated events subsequent to December 31, 2010 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through May 6, 2011, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CARROLL COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS

	GENERAL FUND			
	Year Ended December 31,			
	2009		2010	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 380,000	\$ 392,627	\$ 378,500	\$ 433,058
Sales taxes	495,500	482,732	590,000	695,242
Intergovernmental	68,525	64,574	72,909	47,792
Charges for services	495,175	469,685	466,800	490,738
Interest	10,000	3,993	3,500	1,577
Other	39,031	39,548	37,682	68,080
Transfers in	55,000	56,711	75,074	76,666
Total Receipts	<u>\$ 1,543,231</u>	<u>\$ 1,509,870</u>	<u>\$ 1,624,465</u>	<u>\$ 1,813,153</u>
DISBURSEMENTS				
County Commission	\$ 147,277	\$ 118,649	\$ 133,090	\$ 114,117
County Clerk	127,644	119,174	129,094	122,583
Elections	117,855	74,015	182,580	102,936
Buildings and grounds	130,015	85,962	131,165	82,913
Employee fringe benefits	254,500	196,577	264,500	211,247
Collector	123,149	114,614	124,028	119,918
Recorder of Deeds	50,318	25,404	22,643	22,035
Circuit Clerk	12,250	8,723	20,015	15,201
Court administration	87,290	84,796	80,895	67,955
Public Administrator	27,705	27,137	26,575	26,385
Sheriff	349,264	310,758	559,503	513,472
Jail	286,213	170,115	-	-
Prosecuting Attorney	202,434	102,271	100,689	97,750
Juvenile Officer	14,157	5,501	14,157	7,377
Coroner	22,291	16,656	21,091	21,316
Other general revenue	-	-	-	49
Transfers out	1,000	5,777	9,200	5,325
Emergency fund	45,700	-	51,000	-
Total Disbursements	<u>\$ 1,999,062</u>	<u>\$ 1,466,129</u>	<u>\$ 1,870,225</u>	<u>\$ 1,530,579</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (455,831)	\$ 43,741	\$ (245,760)	\$ 282,574
CASH, JANUARY 1	<u>1,077,050</u>	<u>1,077,050</u>	<u>1,120,791</u>	<u>1,120,791</u>
CASH, DECEMBER 31	<u><u>\$ 621,219</u></u>	<u><u>\$ 1,120,791</u></u>	<u><u>\$ 875,031</u></u>	<u><u>\$ 1,403,365</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CARROLL COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS

	ROAD AND BRIDGE FUND				COURTHOUSE RESTORATION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2009		2010		2009		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 79,544	\$ 78,969	\$ 78,375	\$ 76,535	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	1,708,300	1,391,254	1,338,610	1,531,843	26,737	-	26,737	26,737
Charges for services	20,000	44,200	40,000	39,582	-	-	-	-
Interest	10,000	606	1,000	540	5,000	3,091	2,000	717
Other	6,000	7,256	6,500	14,967	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,823,844</u>	<u>\$ 1,522,285</u>	<u>\$ 1,464,485</u>	<u>\$ 1,663,467</u>	<u>\$ 31,737</u>	<u>\$ 3,091</u>	<u>\$ 28,737</u>	<u>\$ 27,454</u>
DISBURSEMENTS								
Salaries	\$ 176,961	\$ 175,606	\$ 184,198	\$ 168,860	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	54,685	53,518	58,548	56,815	-	-	-	-
Materials and Supplies	332,123	321,722	236,478	216,978	-	-	-	-
Services and Other	72,059	69,059	70,950	70,152	1,000	1,815	150	755
Capital Outlay	50,000	42,424	50,000	21,136	-	-	-	-
Construction	1,015,000	703,329	972,450	891,771	155,000	18,848	82,738	68,168
Transfers out	55,020	55,000	65,000	65,011	-	-	-	-
Total Disbursements	<u>\$ 1,755,848</u>	<u>\$ 1,420,658</u>	<u>\$ 1,637,624</u>	<u>\$ 1,490,723</u>	<u>\$ 156,000</u>	<u>\$ 20,663</u>	<u>\$ 82,888</u>	<u>\$ 68,923</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 67,996	\$ 101,627	\$ (173,139)	\$ 172,744	\$ (124,263)	\$ (17,572)	\$ (54,151)	\$ (41,469)
CASH, JANUARY 1	<u>603,923</u>	<u>603,923</u>	<u>705,550</u>	<u>705,550</u>	<u>315,807</u>	<u>315,807</u>	<u>298,235</u>	<u>298,235</u>
CASH, DECEMBER 31	<u>\$ 671,919</u>	<u>\$ 705,550</u>	<u>\$ 532,411</u>	<u>\$ 878,294</u>	<u>\$ 191,544</u>	<u>\$ 298,235</u>	<u>\$ 244,084</u>	<u>\$ 256,766</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CARROLL COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS

	EMERGENCY ENHANCED 9-1-1			
	Year Ended December 31,			
	2009		2010	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	500,000	486,849	500,000	500,637
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	3,000	5,286	3,500	3,969
Other	-	3,813	98,000	-
Transfers in	-	-	-	-
Total Receipts	<u>\$ 503,000</u>	<u>\$ 495,948</u>	<u>\$ 601,500</u>	<u>\$ 504,606</u>
DISBURSEMENTS				
Salaries	378,000	263,565	380,000	272,314
Employee fringe benefits	-	109,291	-	132,455
Materials and Supplies	15,000	12,212	15,000	12,065
Services and Other	65,500	62,932	64,500	39,735
Capital Outlay	35,000	40,339	133,000	133,210
Construction	-	-	-	-
Transfers out	-	-	-	-
Total Disbursements	<u>\$ 493,500</u>	<u>\$ 488,339</u>	<u>\$ 592,500</u>	<u>\$ 589,779</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 9,500	\$ 7,609	\$ 9,000	\$ (85,173)
CASH, JANUARY 1	<u>314,501</u>	<u>314,501</u>	<u>322,110</u>	<u>322,110</u>
CASH, DECEMBER 31	<u>\$ 324,001</u>	<u>\$ 322,110</u>	<u>\$ 331,110</u>	<u>\$ 236,937</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

COMPLIANCE SECTION

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 and
Officeholders of Carroll County, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carroll County, Missouri, as of and for the years ended December 31, 2010 and 2009, which collectively comprise Carroll County, Missouri's basic financial statements and have issued our report thereon dated May 6, 2011. The report on the basic financial statements was qualified because of the omission of the Health Center, a legally separate component unit of the County. We conducted our audits 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 audits, we considered Carroll County, Missouri'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 Carroll County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Carroll County, Missouri'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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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, as defined above. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and recommendations as items 1 through 4, that we consider to be significant deficiencies in internal control over financial reporting. 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 Carroll County, Missouri'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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as items 5 and 6.

We also noted a certain matter that we reported to management of Carroll County, Missouri, in the findings and recommendations section as item 7.

Carroll County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit Carroll County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original Signed by Auditor)

McBride, Lock & Associates
May 6, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission and
Officeholders of Carroll County, Missouri

Compliance

We have audited Carroll County, Missouri's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Carroll County, Missouri's major federal programs for the years ended December 31, 2010 and 2009. Carroll County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Carroll County, Missouri's management. Our responsibility is to express an opinion on Carroll County, Missouri's compliance based on our audits.

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carroll County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination of Carroll County, Missouri's compliance with those requirements.

In our opinion, Carroll County, Missouri complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2010 and 2009.

Internal Control Over Compliance

Management of Carroll County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audits, we considered Carroll County, Missouri's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Carroll County, Missouri's internal control over compliance.

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

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

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original Signed by Auditor)

McBride, Lock & Associates
May 6, 2011

CARROLL COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2009	2010
U.S DEPARTMENT OF AGRICULTURE				
Passed through state Office of Administration:				
10.923	Emergency Watershed Protection Program	OMB 0348-0004	\$ 4,540	\$ 48,300
U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
Department of Economic Development -				
14.228	Community Development Block Grants/State's Program			
	DeWitt Levee	2007-EM-06	31,704	1,250
	Opportunity Enterprises Sewer Project	98-PF-754	82,558	10,444
	Cherry Valley Levee Distict	2007-EM-05	-	8,036
Department of Social Services -				
14.231	Emergency Shelter Grants Program		-	7,759
14.257	Homelessness Prevention and Rapid Re-housing Program ARRA	ER1640007A	-	18,825
U.S. DEPARTMENT OF JUSTICE				
Passed through state Department of Public Safety:				
16.738	Edward Byrne Memorial Justice Assistance Grant Program	2008-LBGJ2-001	-	4,176
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through state:				
Highway and Transportation Commission -				
20.205	Highway Planning and Construction			
		BRO-017(40)	2,665	-
		BRO-017(46)	-	1,565
		BRO-017(47)	4,088	-
		BRO-017(50)	31,713	-
		BRO-017(51)	147,029	93,340
		BRO-017(52)	250,459	-
		BRO-017(54)	71,263	199,366
		BRO-017(55)	-	26,919
		BRO-017(56)	32,468	362,826
		BRO-017(57)	-	31,274
		BRO-017(58)	-	31,599
		BRO-017(59)	-	28,585
Emergency Management Agency -				
20.615	Enhanced 911 Act of 2009	NHTSA 2008 0142	-	98,000
Department of Public Safety -				
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	HM-HMP-009-09-01-00	-	1,000
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration -				
39.003	Donation of Federal Surplus Personal Property	N/A	29,821	2,928
ELECTION ASSISTANCE COMMISSION				
Passed through the Office of Secretary of State -				
90.401	Help America Vote Act Requirements Payments	SOSEIA210Z	550	479
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through State:				
Department of Social Services -				
93.563	Child Support Enforcement	N/A	10,367	9,726
Department of Health and Senior Services -				
93.617	Voting Access for Individuals with Disabilities	75-1536-0-1-506	-	878
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through state Department of Public Safety:				
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
		1773-DRMO	101,567	-
		1708-DRMO	4,970	-
Total Expenditures of Federal Awards			<u>\$ 805,762</u>	<u>\$ 987,275</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CARROLL COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C – SUBRECIPIENTS

During the years ended December 31, 2010 and 2009 the County passed through federal funds under the Emergency Watershed Protection Program (CFDA #10.923) to subawardees consisting of County levee districts in the amounts of \$48,300 and \$ 4,540, respectively.

CARROLL COUNTY, MISSOURI
 SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
 (INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
 YEARS ENDED DECEMBER 31, 2010 AND 2009

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of Auditors' Report Issued: Unqualified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards:

Internal Control Over Major Programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Type of Auditor's Report Issued on Compliance For Major Programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(A) of Circular A-133? Yes No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway and Transportation – Highway Planning and Construction

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$300,000

Auditee Qualified as low-risk: Yes No

SECTION II – FINANCIAL STATEMENTS FINDINGS

Financial Statement Findings Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards:

1. Fee Office Receipts
2. Sheriff's Internal Controls
3. Transfers
4. E-911 Cash Balances and Interest Revenues
5. Investment Policy
6. Budgetary Controls
7. Custody of E-911 Records

Summary Schedule of Prior Audit Findings:

1. Fee Office Receipts
2. County Clerk's Controls and Procedures
3. Sheriff's Internal Controls
4. Sheriff's Bank Reconciliation Procedures
5. Investment Policy
6. Budgetary Controls
7. Transfers
8. Custody of E-911 Records

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – FOLLOW-UP ON PRIOR YEAR'S FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

FINDINGS AND RECOMMENDATIONS

CARROLL COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESS IN INTERNAL CONTROL

None

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

1. Fee Office Receipts

Condition: Several County fee offices use a form of “One Write” system which is intended to provide both a receipt for the customer and a record of receipts written, in journal form, with only one “writing” of the transaction. However, this system requires the receipt number to be copied from the receipt onto a receipt ledger, allowing for the possibility of defalcation or errors such as transposing numbers that could lead to duplicate or missing receipt numbers on the receipt ledgers. Once a receipt is issued, there is no copy of the pre-numbered receipt kept by the fee offices in order to follow up on any discrepancies noted on a receipt ledger.

The integrity of receipt numbers allows an independent party to account for the numerical sequence of receipts and verify that all dollars recorded on receipts are transmitted for deposit in the bank. It is a key internal control over the collection and deposit of revenues.

Recommendation: We recommend that all offices which issue receipts use a system that either includes pre-printed receipt numbers on both the ledger sheet and the receipt, or requires the receipt number to be hand-written and simultaneously recorded on both the receipt and ledger.

County Response: The Treasurer’s Office has not experienced any problem in balancing with the monthly bank statement and the County Clerk’s Office by using the “One Write Receipt System”. The employees in the Treasurer’s Office take pride in keeping track of receipts in numerical sequence, and the office currently has a good supply of the costly “One Write Receipts” on hand, however, copies of the receipts issued will be made prior to distribution to the client until the supply of unused receipts are exhausted. Both the Assessor and County Clerk also have a large amount of unused receipts on hand.

Auditor’s Evaluation: The response is appropriate to correct the concern.

2. Sheriff's Internal Controls

Condition: Internal controls help to prevent and detect misappropriation of funds. One type of internal control that can detect misappropriation of funds is the separation of various aspects of a transaction. For example, a person who has access to blank checks and the ability to write checks should not also reconcile the bank account. This is because, in the event of a check forgery, the person reconciling the bank account may notice the unauthorized disbursement and forged signature. However, if this person is in a position to have committed the forgery, this detective internal control will not be effective.

During our audit procedures at the Sheriff's Department, we noted that accounting duties are not segregated as described above. The office manager is primarily responsible for preparing checks, bank reconciliations, and maintaining the accounting records for the Sheriff's fee account.

The Sheriff reviews the bank statements at the end of the month. However, this review does not include reviewing supporting documentation related to the checks written by the office manager to ensure that the check was written for the correct amount, to a legitimate payee, and for goods or services that are necessary and have been received.

Recommendation: We recommend that the Sheriff's office implement procedures to segregate the functions of authorizing purchases, maintaining the accounting records, and reconciling the bank account. This could be accomplished by having the Sheriff become the authorized signer on the Sheriff's fee account, which would give him the duty of authorizing expenditures while the office manager records them in the accounting records and reconciles the bank account.

County Response: I concur that I will now approve the information prior to the Office Manager issuing checks.

Auditor's Evaluation: The response is appropriate to correct the concern.

3. Transfers

Condition: As recorded in the financial statements published with the County's annual budget, transfers from other funds did not equal transfers to other funds during either 2009 or 2010. In 2009, a receipt of a worker's compensation refund was recorded as a transfer in to the Johnson Grass fund with no accompanying transfer out of a County fund. In 2010, a transfer out of the General Revenue fund was recorded for a payroll deduction error that occurred in 2009 with no accompanying transfer in from a County fund. Transfers in and out should only be recorded for transactions between County funds and should agree at year end.

Recommendation: We recommend that the County only record transfers for transactions between County funds and ensure that all transfers to a fund are accompanied by a recorded transfer from the sending fund.

County Response: The two entries reported as transfers were receipts and not transfers and were reported in the wrong place on the Budget. The County will record a Journal Entry for the minor transfers between funds rather than a formal Court Order and the entries will be reported in the proper locations in the future.

Auditor's Evaluation: The response is appropriate to correct the concern.

4. E-911 Cash Balances and Interest Revenues

Condition: The cash balances reported by the E-911 Board on their annual budgets did not agree to supporting documentation at December 31, 2009 and December 31, 2010. The Board reported a cash balance of \$322,484 at December 31, 2009, while only \$322,110 was supported by bank records, a variance of \$374. The Board reported a cash balance of \$237,377 at December 31, 2010, while only \$236,937 was supported by bank records, a variance of \$440. The differences appear to have been caused by issues with recording interest revenue from the Board's various Certificates of Deposit.

There were also variances between the cash balances and interest revenue reported by the Board on their 2010 budget and the published financial statements for the year ended December 31, 2009. The Board reported interest revenue during 2009 of \$5,660 and a cash balance of \$322,484 on their 2010 budget, however, their financial statements reported interest revenue of \$5,725 and a cash balance of \$322,550. The December 31, 2009 cash balance was corrected to agree with the budget on the 2010 financial statements.

Recommendation: We recommend that the E-911 Board ensure that cash balances and interest revenues are properly supported by bank records and that the amounts reported in the annual budgets and the published financial statements are consistent.

E-911 Board Response: The Carroll County E-911 Board will work closely with banks to obtain exact cash balances and interest revenues thereby reflecting these figures in the annual budget and published financial statement.

Auditor's Evaluation: The response is appropriate to correct the concern.

ITEMS OF NONCOMPLIANCE

5. Investment Policy

Condition: The County has not adopted an investment policy. The purpose of an investment policy is to establish the investment scope, objectives, delegation of authority, internal controls, standards of prudence, authorized investments and transactions, diversification mandate, risk tolerance, safekeeping and custodial procedures, and reporting requirements for the investment of cash funds. At the County, such a policy may establish criteria to determine when the investment of cash deposits should be considered, assigning responsibility for monitoring collateral, addressing procedures for overseeing and securing deposits in bond reserve accounts, procedures for bidding bank depositories, as well as policies and procedures specific to individual investment decisions. Section 110.270, RSMo 2007, 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 2007, 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 should commit the County 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.

We recognize that the County has no investments, however, creating an investment policy is an effort best accomplished with due consideration to all relevant factors, and not in a limited amount of time when the need is finally recognized. Such a policy also provides guidance for incoming Treasurers and can foster continuity in the County's investment strategies and self-imposed limits.

Adopting an investment is not only a prudent business practice, it is also required by state statutes.

Recommendation: We recommend the County adopt an investment policy and review compliance with this policy at least annually.

County Response: An Investment Policy was adopted by the Commissioners in May of 2011.

Auditor's Evaluation: The response is appropriate to correct the concern.

6. Budgetary Controls

Condition: The expenditures of the Johnson Grass, Community Development Block Grant, and Emergency Watershed Protection funds exceeded their budgeted amounts during 2009. The expenditures of the Assessment and Community Development Block Grant funds exceeded their budgeted amounts during 2010.

Recommendation: We recommend that the County Commission amend the budget when circumstances arise that were unforeseen during the budgeting process in order to maintain strict compliance with budgetary law.

County Response: The agreement to administer the pass through funds for both CDBG and EWP projects between the agencies and the commission was done without knowing how many projects and the dollar amount required to be budgeted, but were deemed to be worthy projects.

Auditor's Evaluation: The response is not appropriate to correct the concern. Expenditure budgets should be monitored throughout the year and budget amendments should be adopted if necessary to comply with budgetary law.

OTHER MATTERS

7. Custody of E-911 Records

Condition: The Board Treasurer's custody of Enhanced 911 invoices and bank records is not appropriate. The Treasurer stores invoices and bank records at his personal residence and transports documents to County E-911 facilities as needed. The procedure does not provide for adequate safekeeping of county documents. RSMo 67.1937 states the governing body of the county shall provide for the proper and safekeeping of its permanent records. Furthermore, the procedure prohibits the documents from being readily available for annual audits.

Recommendation: We recommend that the Enhanced 911 Board and staff store all E-911 documents at county facilities, ensuring safe and proper storage.

E-911 Board Response: The Carroll County E-911 Board will store all E-911 documents at the Carroll County E-911 facility located at 2 N. Monroe, Carrollton, MO.

Auditor's Evaluation: The response is appropriate to correct the concern.

CARROLL 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 auditors' follow-up on action taken by Carroll County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2008 and 2007.

1. The Treasurer's and Assessor's offices use a OneWrite system for recording receipts which requires receipt number to be manually entered into a receipt log rather than leaving a carbon copy of the pre-numbered receipts that have been issued. An instance was noted where the Assessor's receipt ledger included the same receipt number twice, with different amount and payer's.

Status – Not resolved. This system is still in use in several County fee offices, however, no issues were noted with duplicate receipt numbers in the current audit. See Finding 1.

2. The reconciliation of the County Clerk's bank account does not identify deposits in transit or outstanding checks.

Status – Resolved.

3. The duties of receipt of cash, check writing, and reconciling bank accounts are not properly segregated in the Sheriff's office. The office manager is primarily responsible for all of these duties.

Status – Partially resolved. The Sheriff's office implemented a procedure to have the Sheriff review the office manager's receipt ledger on a monthly basis and reconcile it to deposit slips. The Sheriff also reviews the bank statements each month. However, controls can still be strengthened over the disbursement process. See Finding 2

4. The Sheriff's account bank reconciliations include deposits in transit that are several years old as well as checks that have already cleared the bank but have not been removed.

Status – Resolved.

5. The County has not adopted a proper investment policy in accordance with state statutes.

Status – Not resolved. See Finding 5.

6. The actual expenditure of the EDA 98 Grant fund exceeded the budgeted amount for 2008.

Status – Not resolved. Although the EDA 98 Grant fund had no activity during the current audit period, other funds were determined to have exceeded their budgets. See Finding 6.

7. Transfers in recorded on the budget did not equal transfers out in 2007 or 2008.

Status – Partially resolved. Significant improvement was made in the recording of interfund transfers in the County's budgets in 2009 and 2010, however, transfers in did not equal transfers out in either year. See Finding 3.

8. The Treasurer of the Enhanced 911 Board maintains invoices and bank records at his personal residence.

Status – Partially resolved. Copies of invoices are maintained at the E-911 facility, however, the original invoices and all bank records are still maintained by the Treasurer at his personal residence. See Finding 7.