



Susan Montee, CPA

Missouri State Auditor

May 2007

Iron County, Missouri

Years Ended

December 31, 2005 and 2004



Office Of The
State Auditor Of Missouri
Susan Montee, CPA

May 2007

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Iron, that do not have a county auditor. In addition to a financial audit of county funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the county's SEFA contained several errors and omissions. Expenditures were understated by \$382,901 and \$64,607 for the years ended December 31, 2005 and 2004, respectively.

The county's documentation regarding procurement decisions was not always sufficient or retained. Some expenditures did not appear to be allowable uses of restricted county funds. In addition, evidence of receipt of goods or services was not always required prior to approving expenditures.

The County Commission's procedures for holding and documenting closed meetings need improvement. Open session minutes did not always indicate that the meeting was being closed or provide the specific reason for closing the meeting. Votes or final actions taken by the commission during closed meetings were not always documented in the open meeting minutes. Finally, minutes were not available for all closed meetings.

Property tax system procedures and controls are not sufficient. The County Clerk does not prepare or verify the tax books or maintain an adequate account book with the County Collector, and neither the County Clerk nor the County Commission adequately review the County Collector's annual settlements.

Errors were noted with the county's property tax rollback calculations for sales tax revenues. In addition, while the County Commission was aware of excess property tax collections when making the 2006 calculations, reasons for not further reducing the property tax levy were not documented. However, due to distribution errors made by the state, it is likely the county's rollback for 2006 was sufficient.

The county does not have adequate written policies and effective monitoring procedures regarding county vehicle usage. Also, county vehicles are used for commuting by several road and bridge employees and this benefit is not recorded on the employees' W-2 forms.

Budgets were not prepared for several county funds and financial information related to some projects was not presented in the county's overall budget document. Also, the

(over)

YELLOW SHEET

county's monitoring procedures did not prevent actual disbursements from exceeding budgeted amounts for several funds.

The County Collector does not perform month-end reconciliation procedures to ensure the bank account balances are in agreement with partial pay records and other identified liabilities. Partial pay ledgers and reconciliation procedures need improvement.

Circuit Court procedures to monitor and collect accrued costs due the court need improvement, and there may be costs that have not been properly billed to the state. Manual receipt slips are not properly accounted for and the court maintains old bank accounts containing unidentified or unclaimed monies.

Accounting duties are not adequately segregated in the Ex Officio Recorder of Deeds' office and no independent reviews of accounting records are performed.

Accounting duties are not adequately segregated in the Associate Circuit Court and no independent reviews of accounting records are performed. Manual receipt slips are not properly accounted for. In addition, information for some cases was not properly updated to reflect judicial orders.

In the Prosecuting Attorney's office some receipt records could not be located and month-end reconciliation procedures are not performed to ensure that the bank account balance is sufficient to cover the related liabilities.

Controls and procedures of the Sheriff's office need improvement. Receipt records do not contain adequate details and discrepancies were noted for several 2005 deposits. Proper month-end reconciliations and disbursements were not performed for March through September 2005. Bond forms are not adequately accounted for. In addition, records and procedures related to board of prisoner billings to other political subdivisions need improvement to ensure all outstanding amounts are received. Subsequent to September 2005, the Sheriff retained a bookkeeper and it appears that several key controls were implemented.

Health Center budgets presented some incorrect information. Also, the Health Center had no banking service agreements and collateral securities pledged were not sufficient.

Weaknesses with computer system controls, including passwords not being used and backup procedures not being performed, were identified in some county offices.

All reports are available on our Web site: www.auditor.mo.gov

IRON COUNTY, MISSOURI

TABLE OF CONTENTS

		<u>Page</u>
<u>FINANCIAL SECTION</u>		
State Auditor's Reports:		2-7
Basic Financial Statements, Required Supplementary Information, and Supplementary Schedule of Expenditures of Federal Awards		3-5
Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		6-7
Management's Discussion and Analysis		8-13
Basic Financial Statements:		14-26
Government-Wide Financial Statements:		15-19
<u>Exhibit</u>	<u>Description</u>	
	Statement of Net Assets - Cash Basis	
A-1	December 31, 2005	16
A-2	December 31, 2004	17
	Statement of Activities - Cash Basis	
B-1	Year Ended December 31, 2005	18
B-2	Year Ended December 31, 2004	19
Fund Financial Statements:		20-26
<u>Exhibit</u>	<u>Description</u>	
	Governmental Funds Balance Sheet - Cash Basis	
C-1	December 31, 2005	21
C-2	December 31, 2004	22
	Governmental Funds Statement of Receipts, Disbursements, and Changes in Cash Balances	
D-1	Year Ended December 31, 2005	23
D-2	Year Ended December 31, 2004	24
	Statement of Fiduciary Net Assets - Cash Basis	
E-1	December 31, 2005	25
E-2	December 31, 2004	26

IRON COUNTY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
<hr/> <u>FINANCIAL SECTION</u> <hr/>	
Notes to the Financial Statements.....	27-40
Required Supplementary Information:	41-45
<u>Schedule</u>	
1 Schedule of Funding Progress for Missouri Local Government Employees Retirement System.....	42
2 Budgetary Comparison Schedule - General Fund and Major Special Revenue Funds - Cash Basis, Years Ended December 31, 2005 and 2004.....	43-45
Note to the Required Supplementary Information.....	46
Other Supplementary Information:	47-50
3 Schedule of Expenditures of Federal Awards, Years Ended December 31, 2005 and 2004	48-50
Notes to the Schedule of Expenditures of Federal Awards	51-53
<hr/> <u>FEDERAL AWARDS - SINGLE AUDIT SECTION</u> <hr/>	
State Auditor's Report:.....	55-57
Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	56-57
Schedule:.....	58-61
Schedule of Findings and Questioned Costs (Including Management's Plan for Corrective Action), Years Ended December 31, 2005 and 2004.....	59-61
Section I - Summary of Auditor's Results	59
Section II - Financial Statement Findings.....	60
Section III - Federal Award Findings and Questioned Costs	60

IRON COUNTY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
<u>FEDERAL AWARDS - SINGLE AUDIT SECTION</u>	
<u>Number</u>	<u>Description</u>
05-1.	Schedule of Expenditures of Federal Awards.....60
	Follow-Up on Prior Audit Findings for an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> 62-63
	Summary Schedule of Prior Audit Findings in Accordance With OMB Circular A-133 64-65
<u>MANAGEMENT ADVISORY REPORT SECTION</u>	
	Management Advisory Report - State Auditor's Findings..... 67-93
1.	Expenditures68
2.	County Commission Minutes72
3.	Property Tax System72
4.	Property Tax Reduction Due to Sales Tax.....74
5.	County Vehicle Use75
6.	Budgetary Procedures76
7.	Computer Controls.....79
8.	County Collector's Accounting Controls and Procedures81
9.	Circuit Clerk and Ex Officio Recorder of Deeds' Accounting Controls and Procedures82
10.	Associate Circuit Court Accounting Controls and Procedures.....84
11.	Prosecuting Attorney's Accounting Controls and Procedures86
12.	Sheriff's Accounting Controls and Procedures88
13.	Health Center Accounting Controls and Procedures91
	Follow-Up on Prior Audit Findings..... 94-99
<u>STATISTICAL SECTION</u>	
	History, Organization, and Statistical Information..... 101-104

FINANCIAL SECTION

State Auditor's Reports



SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION, AND
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Iron County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Iron County, Missouri, as of and for the years ended December 31, 2005 and 2004, 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 more fully in Note 1, the county prepares its financial statements 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.

In our opinion, 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 Iron County, Missouri, as of December 31, 2005 and 2004, and the respective changes in financial position—cash basis thereof for the years then ended in conformity with the basis of accounting discussed in Note 1.

As discussed more fully in Note 1, for the years ended December 31, 2005 and 2004, the county implemented applicable provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*. The implementation of these Statements resulted in significant changes in the format and contents of the basic financial statements and other information in the county's financial report. The county also implemented the provisions of Statement No. 40, *Deposit and Investment Risk Disclosures*.

In accordance with *Government Auditing Standards*, we also have issued our report dated September 1, 2006, on our consideration of the county'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 Management's Discussion and Analysis, Schedule of Funding Progress for Missouri Local Government Employees Retirement System, 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 to accompany those financial statements. 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. Iron County has not presented the budgetary comparison information for the Hospital Construction Fund that is required to supplement, although not be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the county's basic financial statements. 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 (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Iron County, Missouri, and was not subjected to the auditing procedures applied in the audit of the basic financial statements. Accordingly, we express no opinion on the information.



Susan Montee, CPA
State Auditor

September 1, 2006 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Regina Pruitt, CPA
In-Charge Auditor:	Gayle A. Garrison
Audit Staff:	Earlene Gladden
	Mark Golden
	Cara Hoff
	Anne Jenkins
	Ryan M. King
	James Samek



SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S 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 Iron County, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Iron County, Missouri, as of and for the years ended December 31, 2005 and 2004, which collectively comprise the county's basic financial statements, and have issued our report thereon dated September 1, 2006. 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 of the financial statements of Iron County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

However, we noted certain matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Iron County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.



Susan Montee, CPA
State Auditor

September 1, 2006 (fieldwork completion date)

Management's Discussion and Analysis

IRON COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2005 AND 2004

This discussion and analysis of Iron County's financial performance provides an overview of the county's financial activity for the years ended December 31, 2005 and 2004. 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 nonfinancial 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-like 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, the Schedule of Funding Progress for Missouri Local Government Employees Retirement System, 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 following components that are not a required part of the financial statements: 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*, and the History, Organization, and Statistical Information.

FINANCIAL HIGHLIGHTS

- The county's total governmental receipts exceeded total expenses by \$383,113 in 2005, but the total expenses exceeded total governmental receipts by \$88,734 in 2004.
- The county's governmental funds ended 2005 with a combined cash balance of \$1,416,527 and 2004 with \$1,033,414.

THE COUNTY AS A WHOLE

The following chart displays assets, receipts, and disbursements for 2005 and 2004.

	Year Ended December 31,		
	2005	2004	2003
Net Assets	\$ 1,416,527	1,033,414	1,122,148
Program Receipts	1,445,121	1,441,290	*
General Receipts	3,439,106	1,592,011	*
Disbursements	4,501,114	3,122,035	*
Change in Net Assets	383,113	(88,734)	*

* A breakdown of receipts, disbursements, and change in net assets was not available for 2003.

For the two years disclosed in this audit, the change in Net Assets (cash balances) is primarily due to the receipt of a loan for the hospital construction fund in 2005 totaling \$1,370,000 which was not fully disbursed as of December 31, 2005.

The drastic increase in General Receipts totaling \$1,847,095 can be attributed to the receipt of a hospital construction loan, hospital construction grants, and the sale of county real estate. In addition, sales tax revenue increased \$122,000 in 2005 over 2004; however, a significant portion of this increase was due to errors in the state's distribution of sales tax collections. To correct for these errors the state will redistribute these monies to the proper entity in 2007. The significant increase in disbursements totaling \$1,379,079 can be attributed to the hospital construction, elevator construction, the purchase or lease of Road and Bridge vehicles and equipment, and the purchase of a new Road and Bridge shed.

THE COUNTY'S FUNDS

There were no significant changes in the County's normal operating budgets during 2006 and 2005; however, two construction projects significantly impacted the overall actual receipts and disbursements shown in the county's financial statements during 2004 and 2005.

The County Hospital Building planning and construction significantly impacted 2005 receipts and disbursements. Loan proceeds, sales tax revenues, and grants related to the project totaling approximately \$1,600,000 were received by the county, and expenditures for planning and construction of the facility totaled approximately \$1,000,000.

In 2001, the County was awarded a Community Development Block Grant for \$215,860 with a county match of \$60,000 from the General Revenue Fund to construct and install an elevator in the Courthouse to meet compliance with the Americans with Disabilities Act. The expenses for this project were incurred by the county in 2004 and 2005; however, the county received the grant reimbursement funds primarily in 2005.

CAPITAL ASSET AND DEBT ADMINISTRATION

Construction of a County Hospital Building began in November 2005 and was completed in December 2006. An agreement with United States Department of Agriculture Rural Development provided financing totaling \$7,500,000 to be repaid by the county with revenues from the operations of the hospital over a twenty-five year period beginning in 2007 and ending in 2032. In addition, the citizens of Iron County approved a capital improvement sales tax of 1/2 cent in April of 2005 for the construction. The sales tax has a five year sunset and is expected to provide funds sufficient to repay an additional \$1,370,000 borrowed for the hospital construction as stipulated by the agreement with the USDA Rural Development. The county began receiving sales tax receipts in the fourth quarter of 2005 which have funded quarterly loan payments of \$71,489 beginning in 2006. In March of 2005, the County received a grant of \$200,000 from the Ameren Community Development Company. No loan monies were received from the USDA until 2006.

On May 2, 2005, the County entered into a five year lease agreement for three Ford F350 work trucks, three Freightliner single axle dump trucks, and one New Holland mower tractor with annual payments of \$89,871. The County has an option to purchase all pieces of equipment at the end of the lease term for the sum of \$1.00 (One Dollar).

The purchase of a gravel plant for \$25,000, an asphalt paving machine for \$48,000, and a roller for \$16,000, for the Road and Bridge Department occurred in 2005. These purchases appear as expenses on the financial statements as they were paid for with cash reserves.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The construction and opening of a new County Hospital will add greatly to both the physical and economic well being of the citizens of Iron County. The county sales taxes have increased in the past three years, and the addition of new businesses and houses should continue this trend.

The increased costs of fuel, materials, equipment, utilities, and operating expenditures continues to be a source of worry. Enhanced 9-1-1 and a new jail/justice center are two areas that must be addressed in the near future for Iron County to be successful. A sales tax to fund the construction and operation of both 9-1-1 and the jail/justice center will be presented to the voters of the County in the next two years. In addition, the County must be looking at the future of both the lead mining industry and tourism for determination of property and real-estate tax revenue in budgets ahead.

The agreement with the Missouri Department of Transportation to finally complete the restructuring of the Highway V corridor will allow much needed easy access by tourists and businesses alike to the County. This should encourage economic growth to both existing and future businesses.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

Questions about this report or requests for additional information should be addressed to Virginia Queen, Iron County Clerk, Iron County Courthouse, P.O. Box 42, Ironton, MO. 63650, (573)546-2912.

Basic Financial Statements

Government-Wide Financial Statements

Exhibit A-1

IRON COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ <u>1,416,527</u>
Total Assets	<u>1,416,527</u>
NET ASSETS	
Restricted	1,256,162
Unrestricted	<u>160,365</u>
Total Net Assets	<u>\$ <u>1,416,527</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

IRON COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2004

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ <u>1,033,414</u>
Total Assets	<u>1,033,414</u>
NET ASSETS	
Restricted	944,219
Unrestricted	<u>89,195</u>
Total Net Assets	<u>\$ <u>1,033,414</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B-1

IRON COUNTY, MISSOURI
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
 DECEMBER 31, 2005

		Program Receipts		Net (Disbursements) Receipts and Changes in Cash Balances
	Disbursements	Charges for Services	Intergovernmental	Primary Government Governmental Activities
GOVERNMENTAL ACTIVITIES				
General county government	\$ 1,168,434	277,178	467,306	(423,950)
Roads and bridges	1,124,168	0	403,137	(721,031)
Public safety	649,411	47,479	86,874	(515,058)
Health and welfare	1,559,101	47,073	116,074	(1,395,954)
 Total Governmental Activities	4,501,114	371,730	1,073,391	(3,055,993)
 Total Primary Government	\$ 4,501,114	371,730	1,073,391	(3,055,993)
GENERAL RECEIPTS				
Taxes				
Property taxes				1,189,629
Sales taxes				442,118
Interest				27,820
Other				1,779,539
 Total General Receipts				3,439,106
 Change in Cash Balances				383,113
 NET ASSETS, JANUARY 1				1,033,414
 NET ASSETS, DECEMBER 31				\$ 1,416,527

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B-2

IRON COUNTY, MISSOURI
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
 DECEMBER 31, 2004

		<u>Program Receipts</u>		Net (Disbursements) Receipts and Changes in Cash Balances
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Intergovernmental</u>	<u>Primary Government Governmental Activities</u>
GOVERNMENTAL ACTIVITIES				
General county government	\$ 1,054,713	262,431	284,327	(507,955)
Roads and bridges	949,757	0	575,296	(374,461)
Public safety	648,796	58,060	105,860	(484,876)
Health and welfare	468,769	33,983	121,333	(313,453)
 Total Governmental Activities	 <u>3,122,035</u>	 <u>354,474</u>	 <u>1,086,816</u>	 <u>(1,680,745)</u>
 Total Primary Government	 \$ <u><u>3,122,035</u></u>	 <u><u>354,474</u></u>	 <u><u>1,086,816</u></u>	 <u><u>(1,680,745)</u></u>
 GENERAL RECEIPTS				
Taxes				
Property taxes				1,164,650
Sales taxes				320,042
Interest				28,352
Other				78,967
 Total General Receipts				 <u>1,592,011</u>
 Change in Cash Balances				 (88,734)
 NET ASSETS, JANUARY 1				 <u>1,122,148</u>
 NET ASSETS, DECEMBER 31				 \$ <u><u>1,033,414</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Fund Financial Statements

Exhibit C-1

IRON COUNTY, MISSOURI
 GOVERNMENTAL FUNDS BALANCE SHEET - CASH BASIS
 DECEMBER 31, 2005

	General Fund	Special Road and Bridge Fund	Health Department Fund	Board for the Developmentally Disabled Fund	Hospital Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash	\$ 160,366	205,661	170,199	142,780	575,822	161,699	1,416,527
Total Assets	<u>\$ 160,366</u>	<u>205,661</u>	<u>170,199</u>	<u>142,780</u>	<u>575,822</u>	<u>161,699</u>	<u>1,416,527</u>
FUND BALANCES							
Unreserved	\$ 160,366	0	0	0	0	0	160,366
Unreserved special revenue funds	0	205,661	170,199	142,780	575,822	0	1,094,462
Unreserved reported in nonmajor funds	0	0	0	0	0	161,699	161,699
Total Fund Balances	<u>\$ 160,366</u>	<u>205,661</u>	<u>170,199</u>	<u>142,780</u>	<u>575,822</u>	<u>161,699</u>	<u>1,416,527</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C-2

IRON COUNTY, MISSOURI
 GOVERNMENTAL FUNDS BALANCE SHEET - CASH BASIS
 DECEMBER 31, 2004

	General Fund	Special Road and Bridge Fund	Health Department Fund	Board for the Developmentally Disabled Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 89,195	490,487	200,176	134,923	118,633	1,033,414
Total Assets	<u>\$ 89,195</u>	<u>490,487</u>	<u>200,176</u>	<u>134,923</u>	<u>118,633</u>	<u>1,033,414</u>
FUND BALANCES						
Unreserved	\$ 89,195	0	0	0	0	89,195
Unreserved special revenue funds	0	490,487	200,176	134,923	0	825,586
Unreserved reported in nonmajor funds	0	0	0	0	118,633	118,633
Total Fund Balances	<u>\$ 89,195</u>	<u>490,487</u>	<u>200,176</u>	<u>134,923</u>	<u>118,633</u>	<u>1,033,414</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D-1

IRON COUNTY, MISSOURI
 GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
 DECEMBER 31, 2005

	General Fund	Special Road and Bridge Fund	Health Department Fund	Board for the Developmentally Disabled Fund	Hospital Construction Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS							
Property taxes	\$ 462,021	440,149	145,506	141,953	0	0	1,189,629
Sales taxes	413,200	0	0	0	0	28,918	442,118
Intergovernmental	223,420	403,137	116,074	0	0	330,760	1,073,391
Charges for services	252,209	0	47,073	0	0	72,448	371,730
Interest	5,467	11,219	3,470	3,500	2,128	2,036	27,820
Other	136,124	34,837	20,618	0	1,370,200	217,760	1,779,539
Total Receipts	<u>1,492,441</u>	<u>889,342</u>	<u>332,741</u>	<u>145,453</u>	<u>1,372,328</u>	<u>651,922</u>	<u>4,884,227</u>
DISBURSEMENTS							
General county government	795,487	0	0	0	0	372,947	1,168,434
Roads and bridges	0	1,124,168	0	0	0	0	1,124,168
Public safety	629,169	0	0	0	0	20,242	649,411
Health and welfare	254,381	0	362,718	137,596	796,506	7,900	1,559,101
Total Disbursements	<u>1,679,037</u>	<u>1,124,168</u>	<u>362,718</u>	<u>137,596</u>	<u>796,506</u>	<u>401,089</u>	<u>4,501,114</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(186,596)</u>	<u>(234,826)</u>	<u>(29,977)</u>	<u>7,857</u>	<u>575,822</u>	<u>250,833</u>	<u>383,113</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	268,767	0	0	0	0	11,000	279,767
Transfers out	(11,000)	(50,000)	0	0	0	(218,767)	(279,767)
Total Other Financing Sources (Uses)	<u>257,767</u>	<u>(50,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(207,767)</u>	<u>0</u>
NET CHANGE IN CASH BALANCES	71,171	(284,826)	(29,977)	7,857	575,822	43,066	383,113
CASH BALANCES, JANUARY 1	<u>89,195</u>	<u>490,487</u>	<u>200,176</u>	<u>134,923</u>	<u>0</u>	<u>118,633</u>	<u>1,033,414</u>
CASH BALANCES, DECEMBER 31	<u>\$ 160,366</u>	<u>205,661</u>	<u>170,199</u>	<u>142,780</u>	<u>575,822</u>	<u>161,699</u>	<u>1,416,527</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

IRON COUNTY, MISSOURI
 GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
 DECEMBER 31, 2004

	General Fund	Special Road and Bridge Fund	Health Department Fund	Board for the Developmentally Disabled Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property taxes	\$ 451,314	431,750	142,796	138,790	0	1,164,650
Sales taxes	320,042	0	0	0	0	320,042
Intergovernmental	223,804	575,296	121,333	0	166,383	1,086,816
Charges for services	238,022	0	33,983	0	82,469	354,474
Interest	9,966	10,100	3,387	2,301	2,598	28,352
Other	14,286	8,970	30,241	0	25,470	78,967
Total Receipts	1,257,434	1,026,116	331,740	141,091	276,920	3,033,301
DISBURSEMENTS						
General county government	840,372	0	0	0	214,341	1,054,713
Roads and bridges	0	949,757	0	0	0	949,757
Public safety	643,457	0	0	0	5,339	648,796
Health and welfare	0	0	327,913	140,856	0	468,769
Total Disbursements	1,483,829	949,757	327,913	140,856	219,680	3,122,035
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(226,395)	76,359	3,827	235	57,240	(88,734)
OTHER FINANCING SOURCES (USES)						
Transfers in	70,497	0	0	0	25,284	95,781
Transfers out	(25,284)	(35,000)	0	0	(35,497)	(95,781)
Total Other Financing Sources (Uses)	45,213	(35,000)	0	0	(10,213)	0
NET CHANGE IN CASH BALANCES	(181,182)	41,359	3,827	235	47,027	(88,734)
CASH BALANCES, JANUARY 1	270,377	449,128	196,349	134,688	71,606	1,122,148
CASH BALANCES, DECEMBER 31	\$ 89,195	490,487	200,176	134,923	118,633	1,033,414

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E-1

IRON COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2005

ASSETS

Cash	\$	<u>1,399,923</u>
Total Assets		<u>1,399,923</u>

NET ASSETS

Restricted		1,399,923
Unrestricted		<u>0</u>
Total Net Assets	\$	<u><u>1,399,923</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E-2

IRON COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2004

ASSETS

Cash	\$	<u>1,577,378</u>
Total Assets		<u>1,577,378</u>

NET ASSETS

Restricted		1,577,378
Unrestricted		<u>0</u>
Total Net Assets	\$	<u><u>1,577,378</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

IRON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

As Note 1.C. discusses further, the accompanying financial statements of Iron County, Missouri, are presented in conformity with the cash basis of accounting, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (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.

A. 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 Iron County consists of all funds, departments, offices, or organizations that are not legally separate from the county.

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.

B. Basis of Presentation

1. 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 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. For the years ended December 31, 2005 and 2004, the county had only governmental activities.

The Government-Wide Statement of Net Assets presents the financial condition of the county's governmental activities at year-end. The Government-Wide Statement of Activities presents a comparison between direct disbursements and program receipts for each program or function of the county's governmental activities. Direct disbursements are specifically associated with and clearly identifiable to a particular function. The county does not allocate indirect costs to those functions. Program receipts include (a) charges paid by the recipients of goods or services offered by the programs and (b) intergovernmental receipts that are restricted to meeting the operational or capital requirements of a particular program. Receipts not classified as program receipts, including all taxes, are presented as general receipts. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the county.

2. Fund Financial Statements

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The county uses funds to segregate transactions related to certain functions or activities in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the county primary government at this detailed level. The fund financial statements focus on major funds. Each major fund is presented in a separate column, and nonmajor funds are aggregated and presented in a single column. Major funds include (a) the county's primary operating fund, (b) any fund for which total cash, receipts, or disbursements of an individual fund are at least 10 percent of the corresponding element total for all funds of that type, and (c) any other fund that county officials believe is particularly important to financial statement users.

The accompanying 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 are as follows:

General Fund: The General Fund is the primary operating fund of the county, accounting for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

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.

Health Department Fund: This fund accounts for property taxes and other monies that are legally restricted to disbursements for public health and welfare purposes.

Board for the Developmentally Disabled Fund: This fund accounts for property taxes and other monies that are legally restricted to disbursements for establishing and maintaining a county sheltered workshop, residence facilities, or related services.

Hospital Construction Fund: This fund accounts for loan proceeds that are legally restricted to disbursements for construction and start up costs of a county hospital.

The county's nonmajor governmental funds are also special revenue funds.

Fiduciary funds account for assets held by the county as a trustee or an agent for individuals, private organizations, other governments, or other funds. Fiduciary fund reporting focuses on net assets and changes in net 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.

The agency funds include the County Collector's fund which has a fiscal year ending February 28; therefore, financial information for its reporting periods is included in the accompanying Statement of Fiduciary Net Assets.

The agency funds also include the Public Administrator's fund. The financial information included for this fund in the Statement of Fiduciary Net Assets consists of estate assets (cash) held in trust by the Public Administrator as of December 31, 2005 and 2004.

C. Basis of Accounting

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. The government-wide and fund financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. Consequently, certain assets and their related revenues (such as accounts receivable and revenues billed but not yet

collected for goods and services provided) and certain liabilities and their related expenditures (such as accounts payable and expenditures for goods and services received but not yet paid for) 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.

The accounting treatment for specific account balances and transaction types is as follows:

Equity classifications: On the Government-Wide Statement of Net Assets, equity is classified as net assets and displayed in two components: restricted and unrestricted. Net assets are reported as restricted when limitations are imposed on their use through either the enabling legislation adopted by the County Commission or external restrictions imposed by creditors, grantors, or the laws and regulations of other governments. All other net assets are reported as unrestricted. The county applies restricted resources first when a disbursement is made for which both restricted and unrestricted net assets are available.

In the fund financial statements, 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.

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

Compensated absences: The county provides vacation and sick leave to its employees. Full-time county employees accrue vacation leave as follows:

- First year -----One week
- Second year through fifth year-----Two weeks
- Sixth through tenth year-----Three weeks
- After eleventh year of service-----Four weeks

For the first and second years, vacation leave is earned on a monthly basis, after an introductory period, at a rate of one-half working day per month up to a maximum leave. Employees may accrue vacation leave to a maximum of 30 days. An employee leaving county employment is compensated for vacation credit unused to the date of termination.

Full-time county employees earn sick leave at a rate of one and one-quarter working days monthly and each part time employee earns sick leave at a rate of four hours per month. Full and part-time employees may accumulate sick leave with pay to a maximum of 60 days. An employee leaving county employment is not compensated for unused sick leave.

Paid leave is also allowed at the discretion of the county elected officials for court witness or jury duty. County policy also allows other types of uncompensated leave for military service, Family Medical Leave Act absences, maternity, occupational injury, and funerals.

The Health Department provides vacation and sick leave to its employees. Full-time employees accrue 10 hours of sick leave per month for 160 or more hours in active pay status per month, 7.5 hours for 120 to 159 hours in active pay status per month, and 5 hours for 80 to 119 hours in active pay status per month. Employees who have less than 80 hours per month in active pay status are not eligible to earn sick leave. Accumulated sick leave is not paid to the employee upon termination of employment.

Full-time health department employees (160 or more hours per month in active pay status) and part-time employees in positions with work schedules equivalent to 6 months or more of full-time employment in any twelve-month period are eligible to earn vacation leave. Full-time employees accrue 10 hours of vacation leave per month for 1 to 10 years of service, 12 hours per month for 10 to 15 years of service, and 14 hours per month for 15 or more years of service. Employees can carryover up to 80 hours of vacation leave at each year end. Part-time employees earn vacation leave on a sliding scale depending on their hours per month in active pay status and their years of service. Upon termination, accumulated vacation leave will be paid to the employee.

Vacation and sick 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 postemployment benefits: The county does not provide postemployment 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.

Long-term debt: Consistent with the cash basis of accounting, long-term debt is not reported in the government-wide or fund financial statements. Proceeds from debt issuances are reported when received, and payments of principal and interest are reported when disbursements are made.

D. Accounting Changes

For the years ended December 31, 2005 and 2004, the county implemented applicable provisions of the following GASB Statements:

Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*: The implementation of these Statements resulted in significant changes in the format and contents of the basic financial statements and other information in the county's financial report. As Note 1.B. discusses, the basic financial statements now include government-wide financial statements that report information for the county as a whole and fund financial statements that focus on major funds. However, as Note 1.C. discusses, because the basic financial statements are prepared on the cash basis of accounting, they exclude certain items and amounts that would be recorded under the bases of accounting prescribed by generally accepted accounting principles for state and local governments. Also, agency funds, a type of fund not reported in the county's prior-period financial statements, are now included in the Statement of Fiduciary Net Assets.

Statement No. 40, *Deposit and Investment Risk Disclosures*: This Statement amends Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. Statement No. 40 revises Statement No. 3's requirements regarding disclosure of custodial credit risk and establishes new requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

2. Deposits 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 county deposits, Section 110.020, RSMo, requires depositaries 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 county 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, Iron County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The County Treasurer's, Health Department Board's, and Developmentally Disabled Board's deposits at December 31, 2005 and 2004, and the County Collector's deposits at February 28, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance, by collateral securities held by the county's or board's custodial bank in the county's or board's name, or by an irrevocable standby letter of credit issued by a Federal Home Loan Bank.

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. At December 31, 2005 and 2004, the county had no such investments. 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 county has adopted such a policy.

3. Property Tax

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 (except some cities). Collections for other governments and remittances to those governments are accounted for in various County Treasurer's agency funds.

4. Defined Benefit Pension Plan

Plan Description

Iron County participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governments in Missouri. The LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. Created and governed by Sections 70.600 through 70.755, RSMo, the system is responsible for administering the law in accordance with the expressed intent of the Missouri General Assembly. The plan is qualified under Internal Revenue Code Section 401(a) and is tax-exempt. The LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. Copies of the report may be requested from:

Missouri Local Government Employees Retirement System
P.O. Box 1665
Jefferson City, MO 65102

Funding Policy

Iron County's full-time employees contribute 4.0 percent of their gross pay to the pension plan after completing six months of credited service. The county is required to contribute at an actuarially determined rate; the current rate is 0.7 percent (general) and 1.0 percent (law enforcement) of annual covered payroll. The contribution requirements of plan members are determined by the County Commission. The contribution provisions of the county are established by statute.

Annual Pension Cost

For 2005 and 2004, the county's annual pension cost of \$47,262 and \$44,890, respectively, was equal to the county's required and actual contributions. The required contributions were determined, respectively, as part of the February 29, 2004, February 28, 2003, and/or February 28, 2002, actuarial valuations using the entry age actuarial cost method.

The actuarial assumptions included (a) an investment rate of return of 7.5 percent per year, compounded annually; (b) projected salary increases of 4 percent per year, compounded annually, attributable to inflation; (c) additional projected salary increases ranging from 0 to 4.2 percent per year, depending on age, attributable to seniority or merit; (d) pre-retirement mortality based on the 1983 Group Annuity Mortality Table; and (e) post-retirement mortality based on the 1971 Group Annuity Mortality Table projected to 2000, set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 5-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2005, was 15 years.

3-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06-30-05	\$ 47,262	100.0 %	\$ 0
06-30-04	44,890	100.0	0
06-30-03	43,478	100.0	0

5. Defined Benefit Pension Plan

Plan Description

Iron 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:

County Employees' Retirement System
2121 Schotthill Woods Drive
Jefferson City, MO 65101

Funding Policy

Before January 1, 2003, members, except for those who participated in 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. 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's contributions to the CERS for the years ending December 31, 2005, 2004, and 2003, were \$15,328, \$15,666, and \$11,482, respectively, equal to the required contributions for each year.

6. Defined Contribution and Deferred Compensation Plans

Plan Description

Iron County offers employees the opportunity to participate in the CERS defined contribution plan and Internal Revenue Code (IRC) Section 457 deferred compensation plan. The plans' 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 0.7 percent of gross compensation to the defined contribution plan. No contributions were made during the years ended December 31, 2005 and 2004. 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 (1.5 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. Matching contributions for the years ended December 31, 2005 and 2004, were \$2,102 and \$1,171, respectively.

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.

7. Interfund Transfers

Interfund transfers, the flow of assets from one fund to another when repayment is not expected, are reported as transfers in and out. The county made the following interfund transfers:

Year Ended December 31, 2005		
Transfers In:		
	General Fund	Nonmajor Governmental Funds
Transfers Out:		
General Fund	\$ 0	11,000
Special Road and Bridge Fund	50,000	0
Nonmajor Governmental Funds	218,767	0

Year Ended December 31, 2004		
Transfers In:		
	General Fund	Nonmajor Governmental Funds
Transfers Out:		
General Fund	\$ 0	25,284
Special Road and Bridge Fund	35,000	0
Nonmajor Governmental Funds	35,497	0

Interfund transfers occurred primarily because they were statutorily required or allowed—for example, transfer of an administrative service fee to the General Fund from the Special Road and Bridge Fund or contribution of General Fund monies to the Assessment Fund to pay for assessment and equalization maintenance costs not met by other sources of receipts. The General Fund also expended monies on behalf of certain other funds and was reimbursed by those funds.

8. Prior Period Adjustments

The Health Department and Board for the Developmentally Disabled funds' cash balances of \$196,349 and \$134,688, respectively, at January 1, 2004, were not previously reported but have been added to the financial statements as major funds.

The cash balances of various funds at January 1, 2004, were not previously reported but have been added to the column for other governmental funds in the amounts shown below.

<u>Fund</u>	<u>Balance at January 1, 2004</u>
Circuit Court Interest	\$ 13,737
Prosecuting Attorney Bad Check	11,794
Law Library	10,461
Associate Court Interest	1,911
Rural Health Survey Grant	1,780
Prosecuting Attorney Delinquent Tax	568
Special Election	93

9. 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. During a portion of the two years ended December 31, 2005 and 2004, the county did not obtain a policy for employee errors and omissions. When it came to the county's attention that the insurance policy did not include coverage for errors and omissions, they immediately obtained a policy revision. Settlements have not exceeded coverage in the past 3 years.

The county is a participant in the Missouri Public Entity Risk Management Fund, a body corporate and politic created and governed by Sections 537.700 through 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.

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.

10. Commitments and Contingencies

A. Contracts

The county entered into a lease agreement with the Iron County Hospital District in September 2005 for the operation of the Iron County Hospital. The county obtained financing totaling \$7,500,000 through the United States Department of Agriculture Rural Development as described in the Management's Discussion and Analysis and completed the hospital construction in December 2006. The county will use the

lease payments received from the Iron County Hospital District to fund repayments of the loan beginning in 2007 and ending in 2032.

B. Litigation

As of December 31, 2005, the county's legal counsel indicated potential claims against the county. The instances involved allegations of unlawful arrest, unlawful CAFA seizure of personal property, and the protest of a tax sale conducted by the county. The potential liability to the county cannot be determined at this time.

C. Property Taxes

Through December 31, 2005, Iron County collected \$38,021 in excess property taxes. Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. Iron County voters enacted a half cent sales tax with a provision to reduce property taxes by fifty percent of sales taxes collected. Tax levies were not reduced sufficiently for actual sales tax collections.

The county was notified in February 2007, that the state Department of Revenue (DOR) had improperly distributed approximately \$69,233 of ambulance district property tax monies to the county from February 2005 through June 2006. The distribution errors could impact the county's liability.

Required Supplementary Information

Schedule 1

IRON COUNTY, MISSOURI
 SCHEDULE OF FUNDING PROGRESS FOR
 MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)— Entry Age (b)	Unfunded AAL (UAAL) (b-a) or (Excess of Assets over AAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c] or (Excess as a Percentage of Covered Payroll) [(a-b)/c]
02/28/05	\$ 2,311,559	\$ 1,465,657	\$ (845,902)	158 %	\$ 1,010,856	84 %
02/29/04	2,259,377	1,397,184	(862,193)	162	917,239	94
02/28/03	2,117,693	1,098,918	(1,018,775)	193	877,251	116

See related Note 4 (Defined Benefit Pension Plan) to the financial statements.

Schedule 2

IRON COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS - CASH BASIS

	Year Ended December 31,							
	2005				2004			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Cash Basis	Final Budget-- Favorable (Unfavorable)	Original	Final	Cash Basis	Final Budget-- Favorable (Unfavorable)
GENERAL REVENUE FUND								
RECEIPTS								
Property taxes	\$ 472,900	472,900	462,021	(10,879)	459,000	459,000	451,314	(7,686)
Sales taxes	320,000	370,000	413,200	43,200	306,000	306,000	320,042	14,042
Intergovernmental	268,724	268,124	223,420	(44,704)	241,768	489,238	223,804	(265,434)
Charges for services	238,900	241,400	252,209	10,809	222,500	224,700	238,022	13,322
Interest	12,100	12,100	5,467	(6,633)	12,000	12,000	9,966	(2,034)
Other	250,743	116,604	136,124	19,520	286,170	36,500	14,286	(22,214)
Transfers in	64,500	256,739	268,767	12,028	47,000	47,000	70,497	23,497
Total Receipts	1,627,867	1,737,867	1,761,208	23,341	1,574,438	1,574,438	1,327,931	(246,507)
DISBURSEMENTS								
County Commission	78,189	93,084	92,604	480	87,179	87,179	85,318	1,861
County Clerk	86,095	69,569	66,931	2,638	88,999	88,999	89,464	(465)
Elections	3,445	3,445	5,991	(2,546)	22,740	22,740	21,217	1,523
Buildings and grounds	104,250	169,250	154,331	14,919	68,650	68,650	81,562	(12,912)
Employee fringe benefits	176,244	176,244	174,761	1,483	188,344	188,344	187,302	1,042
County Treasurer	30,975	32,606	32,590	16	30,345	30,345	30,150	195
County Collector	73,787	73,787	70,982	2,805	71,092	71,092	78,760	(7,668)
Circuit Clerk and Ex Officio Recorder of Deeds	25,771	25,771	31,258	(5,487)	25,271	25,271	27,711	(2,440)
Associate Circuit Court	5,725	5,725	3,210	2,515	5,625	5,625	4,438	1,187
Court administration	12,863	12,863	8,409	4,454	12,863	12,863	8,036	4,827
Public Administrator	43,140	43,140	47,672	(4,532)	40,599	40,599	42,415	(1,816)
Sheriff	367,893	372,893	374,436	(1,543)	455,616	455,616	438,658	16,958
Jail	71,375	77,375	87,746	(10,371)	58,975	58,975	77,166	(18,191)
Prosecuting Attorney	92,239	92,239	95,995	(3,756)	92,589	92,589	92,788	(199)
Juvenile Officer	28,202	28,202	28,202	0	23,117	23,117	23,377	(260)
County Coroner	12,800	12,800	13,032	(232)	11,876	11,876	11,469	407
Other	380,429	380,429	390,887	(10,458)	414,047	414,047	183,998	230,049
Transfers out	11,000	11,000	11,000	0	14,896	14,896	25,284	(10,388)
Emergency Fund	30,000	30,000	0	30,000	30,000	30,000	0	30,000
Total Disbursements	1,634,422	1,710,422	1,690,037	20,385	1,742,823	1,742,823	1,509,113	233,710
Net Change in Cash Balances	(6,555)	27,445	71,171	43,726	(168,385)	(168,385)	(181,182)	(12,797)
CASH BALANCE, JANUARY 1	89,194	89,194	89,194	0	270,377	270,377	270,377	0
CASH BALANCE, DECEMBER 31	\$ 82,639	116,639	160,365	43,726	101,992	101,992	89,195	(12,797)

Schedule 2

IRON COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS - CASH BASIS

	Year Ended December 31,							
	2005				2004			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Cash Basis	Final Budget-- Favorable (Unfavorable)	Original	Final	Cash Basis	Final Budget-- Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>								
RECEIPTS								
Property taxes	\$ 445,000	445,000	440,149	(4,851)	442,000	442,000	431,750	(10,250)
Intergovernmental	533,100	533,100	403,137	(129,963)	531,000	531,000	575,296	44,296
Interest	13,000	13,000	11,219	(1,781)	15,000	15,000	10,100	(4,900)
Other	9,000	9,000	34,837	25,837	10,000	10,000	8,970	(1,030)
Total Receipts	1,000,100	1,000,100	889,342	(110,758)	998,000	998,000	1,026,116	28,116
DISBURSEMENTS								
Salaries	369,000	369,000	323,048	45,952	319,000	319,000	310,564	8,436
Employee fringe benefits	108,622	108,622	98,512	10,110	105,400	105,400	108,854	(3,454)
Supplies	95,300	115,300	120,279	(4,979)	83,500	83,500	86,725	(3,225)
Insurance	30,000	30,000	28,711	1,289	34,000	34,000	22,940	11,060
Road and bridge materials	250,000	250,000	113,298	136,702	180,000	180,000	152,736	27,264
Equipment repairs	50,400	50,400	75,608	(25,208)	50,400	50,400	48,252	2,148
Rentals	5,000	5,000	219	4,781	6,000	6,000	1,411	4,589
Equipment purchases	164,000	164,000	270,082	(106,082)	169,200	169,200	163,569	5,631
Road and bridge construction	40,000	40,000	0	40,000	10,000	10,000	75	9,925
Other	108,287	108,287	94,411	13,876	50,635	50,635	54,631	(3,996)
Transfers out	50,000	50,000	50,000	0	35,000	35,000	35,000	0
Total Disbursements	1,270,609	1,290,609	1,174,168	116,441	1,043,135	1,043,135	984,757	58,378
Net Change in Cash Balances	(270,509)	(290,509)	(284,826)	5,683	(45,135)	(45,135)	41,359	86,494
CASH BALANCE, JANUARY 1	490,487	490,487	490,487	0	449,128	449,128	449,128	0
CASH BALANCE, DECEMBER 31	\$ 219,978	199,978	205,661	5,683	403,993	403,993	490,487	86,494
<u>HEALTH DEPARTMENT FUND</u>								
RECEIPTS								
Property taxes	\$ 141,256	141,256	145,506	4,250	140,601	140,601	142,796	2,195
Intergovernmental	119,861	119,861	116,074	(3,787)	111,620	111,620	121,333	9,713
Charges for services	33,400	33,400	47,073	13,673	35,425	35,425	33,983	(1,442)
Interest	3,250	3,250	3,470	220	4,000	4,000	3,387	(613)
Other	13,150	13,150	20,618	7,468	4,985	4,985	30,241	25,256
Total Receipts	310,917	310,917	332,741	21,824	296,631	296,631	331,740	35,109
DISBURSEMENTS								
Salaries and fringe benefits	250,264	250,264	255,453	(5,189)	258,084	258,084	246,252	11,832
Office expenses	19,500	19,500	19,006	494	22,500	22,500	16,786	5,714
Equipment	22,000	22,000	34,239	(12,239)	23,800	23,800	7,769	16,031
Travel expenses	12,000	12,000	8,268	3,732	12,182	12,182	11,793	389
Other	207,329	207,329	45,752	161,577	176,414	176,414	45,313	131,101
Total Disbursements	511,093	511,093	362,718	148,375	492,980	492,980	327,913	165,067
Net Change in Cash Balances	(200,176)	(200,176)	(29,977)	170,199	(196,349)	(196,349)	3,827	200,176
CASH BALANCE, JANUARY 1	200,176	200,176	200,176	0	196,349	196,349	196,349	0
CASH BALANCE, DECEMBER 31	\$ 0	0	170,199	170,199	0	0	200,176	200,176

Schedule 2

IRON COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS - CASH BASIS

	Year Ended December 31,							
	2005				2004			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Cash Basis	Final Budget-- Favorable (Unfavorable)	Original	Final	Cash Basis	Final Budget-- Favorable (Unfavorable)
BOARD FOR THE DEVELOPMENTALLY DISABLED FUND								
RECEIPTS								
Property taxes	\$ 140,000	140,000	141,953	1,953	140,000	140,000	138,790	(1,210)
Interest	2,500	2,500	3,500	1,000	2,500	2,500	2,301	(199)
Total Receipts	142,500	142,500	145,453	2,953	142,500	142,500	141,091	(1,409)
DISBURSEMENTS								
Health and welfare	161,236	161,236	137,596	23,640	152,123	152,123	140,856	11,267
Total Disbursements	161,236	161,236	137,596	23,640	152,123	152,123	140,856	11,267
Net Change in Cash Balances	(18,736)	(18,736)	7,857	26,593	(9,623)	(9,623)	235	9,858
CASH BALANCE, JANUARY 1	134,923	134,923	134,923	0	134,688	134,688	134,688	0
CASH BALANCE, DECEMBER 31	\$ 116,187	116,187	142,780	26,593	125,065	125,065	134,923	9,858

The accompanying Note to the Required Supplementary Information is an integral part of this information.

IRON COUNTY, MISSOURI
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt a formal budget for the Hospital Construction Fund for the year ended December 31, 2005.

Other Supplementary Information

Schedule 3

IRON 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,	
			2005	2004
U. S. DEPARTMENT OF AGRICULTURE				
Direct program:				
10.670	National Forest-Dependent Rural Communitie	02-DG-11244225-502	\$ 0	11,359
		DG-11244225-350	0	225
		03-DG-11244225-467	13,000	1,000
	Program Total		<u>13,000</u>	<u>12,584</u>
Passed through state				
Department of Health and Senior Services -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-6146	10,667	0
		ERS045-5146	29,820	12,993
		ERS045-4146	0	28,558
	Program Total		<u>40,487</u>	<u>41,551</u>
10.559	Summer Food Service Program for Children	ERS146-5146I	280	0
		ERS146-4146I	0	65
	Program Total		<u>280</u>	<u>65</u>
Office of Administration -				
10.665	Schools and Roads - Grants to States	N/A	22,877	27,396
		N/A	159,544	116,012
		N/A	0	91,852
	Program Total		<u>182,421</u>	<u>235,260</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state				
Department of Economic Development -				
14.228	Community Development Block Grants/State' Program	2001-PF-24	176,242	39,617
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.710	Public Safety Partnership and Community Policing Grant	03LE1109050504B	1,400	1,800
Passed through				
Cape Girardeau County -				
16.580	Edward Byrne Memorial State and Local Law Enforcemen Assistance Discretionary Grants Program	N/A	0	17,530
Missouri Sheriffs' Association -				
16	Domestic Cannabis Eradication/Suppression Program	N/A	0	954

Schedule 3

IRON 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,	
			2005	2004
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state				
Department of Public Safety -				
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grant	N/A	2,493	0
GENERAL SERVICES ADMINISTRATION				
Passed through state				
Office of Administration -				
39.003	Donation of Federal Surplus Personal Property	N/A	352	9
Office of Secretary of State -				
39.011	Election Reform Payment:	N/A	0	720
	Program Total	N/A	<u>0</u>	<u>1,860</u>
			<u>0</u>	<u>2,580</u>
ELECTIONS ASSISTANCE COMMISSION				
Passed through state Office of Secretary of State				
90.401	Help America Vote Act Requirements Payment	N/A	4,466	0
	Program Total	N/A	<u>132</u>	<u>0</u>
			<u>4,598</u>	<u>0</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through				
Southeast Missouri Area Agency on Aging, Incorporate				
93.043	Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Service:	N/A	1,285	1,285
Department of Health and Senior Services -				
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	ERS146-6146L ERS146-5146L	551 0	0 1,000
	Program Total		<u>551</u>	<u>1,000</u>
93.240	State Capacity Building	DH060019001	6,018	0
93.268	Immunization Grant:	N/A	3,904	0
	Program Total	N/A	<u>0</u>	<u>1,156</u>
			<u>53,006</u>	<u>31,990</u>
			<u>56,910</u>	<u>33,146</u>
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	DH050032079 DH040022060	3,500 0	0 7,239
	Program Total		<u>3,500</u>	<u>7,239</u>

Schedule 3

IRON 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,	
			2005	2004
Department of Social Services -				
93.563	Child Support Enforcement	N/A	0	60
Department of Health and Senior Services -				
93.575	Child Care and Development Block Grant	PGA067-6146C	1,380	0
		PGA067-5146C	1,505	395
		PGA067-5190C	950	0
		PGA067-4146C	0	2,875
		PGA067-4190C	0	380
		AOC06380221	160	0
		PGA067-5146S	645	260
		PGA067-4146S	0	320
	Program Total		<u>4,640</u>	<u>4,230</u>
93.945	Assistance Programs for Chronic Disease Prevention and Control	N/A	1,000	0
93.994	Maternal and Child Health Services Block Grant to the States	AOC0638-0221	4,832	0
		ERS146-5146M	14,248	4,749
		ERS146-4146M	0	11,579
	Program Total		<u>19,080</u>	<u>16,328</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through state Department of Public Safety				
83.544	Public Assistance Grant	FEMA 1412-DR-MO	0	3,402
83.562	State and Local All Hazards Emergency Operations Planning	N/A	0	6,000
97.004	State Domestic Preparedness Equipment Support Program	2004-GE-T4-0049	16,993	9,745
		N/A	14,909	0
	Program Total		<u>31,902</u>	<u>9,745</u>
Total Expenditures of Federal Awards			<u>\$ 546,159</u>	<u>434,385</u>

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Schedule of
Expenditures of Federal Awards

IRON COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Iron County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Amounts for Immunization Grants (CFDA number 93.268) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2005 and 2004.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Iron County, Missouri

Compliance

We have audited the compliance of Iron County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2004. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of 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 the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit 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 the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Iron County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 05-1.

Internal Control Over Compliance

The management of Iron 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 audit, we considered the county's internal control over compliance with 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 the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 05-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information and use of the management of Iron County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.



Susan Montee, CPA
State Auditor

September 1, 2006 (fieldwork completion date)

Schedule

IRON COUNTY, MISSOURI
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 (INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
 YEARS ENDED DECEMBER 31, 2005 AND 2004

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Reportable conditions identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to the financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness identified? yes no
- Reportable condition identified that is not considered to be material weakness? 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 OMB Circular A-133? yes no

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
10.665	Schools and Roads – Grants to States
14.228	Community Development Block Grants/State's Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? _____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

05-1.	Schedule of Expenditures of Federal Awards
--------------	---

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	State Office of Administration
Federal CFDA Numbers:	10.665
Program Title:	Schools and Roads – Grants to States
Pass-Through Entity	
Identifying Number:	N/A
Award Years:	2005 and 2004
Questioned Costs:	N/A

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	State Department of Economic Development
Federal CFDA Numbers:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass-Through Entity	
Identifying Number:	2001-PF-24
Award Years:	2004 and 2003
Questioned Costs:	N/A

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the county's SEFA contained several errors and omissions. Expenditures were understated by \$382,901 and \$64,607 for the years ended December 31, 2005 and 2004, respectively.

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the county to prepare a SEFA for the period covered by the county's financial statements. The county is required to submit the SEFA to the State Auditor's

Office as a part of the annual budget.

Expenditures relating to several federal grants were reported incorrectly or not included on the schedule. For example, in 2005 the County Clerk failed to include federal funds totaling \$182,421 and \$176,242 expended under the Schools and Roads – Grants to States and the Community Development Block Grant (CDBG) programs, respectively, and the Health Center Administrator failed to include federal funds totaling \$56,910 expended under the Immunization Grants Program. These significant omissions along with several smaller grants being unreported or reported at improper amounts (award or receipt amounts rather than expenditure amounts) resulted in the large 2005 understatement discussed above. For 2004, several small federal grants were not included on the SEFA or were reported at improper amounts. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. The County Commission should take steps to ensure all departments and/or officials properly track federal awards so that all federal awards are properly accounted for on the SEFA.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal awards.

WE RECOMMEND the County Commission, County Clerk and Health Center work to ensure the SEFA is complete and accurate.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission, County Clerk, and Health Center Administrator indicated they agree and will comply with this recommendation.

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

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

The prior audit report issued for the two years ended December 31, 2003, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

IRON COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2003, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

IRON COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Iron County, Missouri, as of and for the years ended December 31, 2005 and 2004, which collectively comprise the county's basic financial statements, and have issued our report thereon dated September 1, 2006. We also have audited the compliance of Iron County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 1, 2006.

This management advisory report includes any findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Iron County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1.

Expenditures

County procedures and documentation regarding the procurement of major purchases are not always adequate. Some expenditures did not appear to be allowable uses of restricted county funds. In addition, evidence of receipt of goods or services was not always required prior to approving expenditures.

- A. While a review of County Commission minutes and bid files indicated the county bids numerous items, the county's documentation regarding procurement decisions was not always sufficient or retained.

The county entered into lease-purchase agreements of \$449,355 for the purchase of equipment and vehicles for the Road and Bridge Department in 2005 and \$117,480 for the purchase of four patrol vehicles for the Sheriff's Department in 2006. The county performed a competitive procurement process for the equipment. While the County Commission indicated various financing sources, such as the bank and a lease financing company, were contacted, documentation of these considerations was not retained.

The county spent approximately \$205,000 and \$90,000 for fuel and asphalt products, respectively, from the Special Road and Bridge and General Revenue Funds during the two years ended December 31, 2005. Although bids were solicited for these products, the awarded bids did not result in a firm fixed price or a variable rate which was verifiable by the county. County Clerk's office personnel indicated that due to the fluctuating prices for these products, they continued to call various vendors periodically for price comparisons when purchasing fuel or asphalt products. However, documentation of these calls and prices obtained were not retained.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to support decisions made.

B. The County Commission and the Ex Officio Recorder of Deeds authorized disbursements from the Special Road and Bridge Fund and the Record Preservation Fund, respectively, which do not appear to be allowed by state law.

1. During 2005, the County Commission authorized the use of road and bridge personnel, equipment, and funds for the preparation of county owned property to be used in the construction of a new county critical access hospital. County records show that hospital construction related expenditures from the Special Road and Bridge Fund through July 2006 included salaries, benefits, equipment use, fuel, rock, and contract haulers totaling at least \$67,644. In addition, during 2003, 2004, and 2005, the County Commission authorized the use of Special Road and Bridge Fund monies for work on a bridge located within city boundaries and for assisting a city with site preparation for the construction of a new cell phone tower. County records show that expenditures from the Special Road and Bridge Fund included salaries, benefits, and equipment use on these projects totaling approximately \$5,120. The county had no documentation on why these were appropriate road and bridge expenditures.

Section 137.555, RSMo, restricts the use of the Special Road and Bridge Fund to disbursements for road and bridge purposes only.

The County Commission requested the Prosecuting Attorney provide a response to this audit issue. A letter was prepared in September 2006, which concluded that the use of county employees and equipment on a county building and maintenance project was allowable; however the letter did not specifically address the legal restrictions for disbursements made from road and bridge funds.

2. During 2004 and 2005, the Ex Officio Recorder of Deeds authorized disbursements for courtroom renovations from the Record Preservation Fund. These disbursements totaled approximately \$13,018 for contractor fees, vertical blinds, tile, air conditioners, and miscellaneous construction supplies.

Section 59.319, RSMo, restricts the use of Record Preservation Fund monies to disbursements for record storage, microfilming, and preservation. Expenditures incurred for courtroom renovations were not related to the allowable purposes, and consequently, Circuit Clerk Interest Fund and/or General Revenue Fund monies should be used to reimburse the Record Preservation Fund.

- C. The county procedures for ensuring that vendor billings are accurate and the related goods and/or services were received are not sufficient. While the county's policy is for invoices to be signed by the county official or employee receiving the item or service, our review of expenditure documentation files identified several purchases such as construction supplies, computer and radio equipment, and installations and repairs for which the required acknowledgment of receipt was not available.

Proper reviews of billings by officials or employees most knowledgeable of the transactions and verification of receipt, are necessary to ensure the county is paying for legitimate goods or services.

WE RECOMMEND the County Commission:

- A. Improve documentation of the competitive procurement selection process and criteria and ensure such documentation is retained to support decisions made.
- B.1. Ensure future expenses of restricted funds comply with statutory provisions, reimburse the Special Road and Bridge Fund for hospital project costs, and determine if additional reimbursement is necessary.
 2. And the Ex Officio Recorder of Deeds ensure future expenses comply with statutory provisions and reimburse the Record Preservation Fund from an appropriate funding source.
- C. Ensure the county policy regarding documentation of invoice reviews and receipt of goods and services is followed.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. *We do competitively procure all major purchases and will ensure that the process is better documented in the future.*

B.1. *The County Commission believes the authority to levy tax funding for county road and bridges comes from the Missouri Constitution Article X, Section 12(a), not Section 137.555 RSMo. In the Prosecuting Attorney's letter of September 2006 addressed to the Senior Auditor, the issue of legal restrictions for disbursements made from road and bridge funds was not addressed as it is also his opinion that Article X, Section 12(a) is the basis for the County's tax levy.*

It is our belief that Section 137.555, RSMo provides the ability to raise additional taxes for special road and bridge activity. Iron County presently has no special road and bridge activity and has not been collecting any additional taxes under Section 137.555, RSMo. A request to Legal Counsel for the Missouri Association of Counties produced a legal opinion that states, "From the facts provided, it appears that Iron County has the correct interpretation of the noted statute." Furthermore, it states, "The general tax fund is another levy which can be used for any legal activity that the County desires, including but not limited to roads and bridges."

Expenditures made by road and bridge personnel and equipment on the County Hospital project were deemed appropriate by the County Commission as the fill and activity was necessary not only for the building, but also necessary for the construction of the three county roads that are located on the property. In addition, \$60,000 was reimbursed to the road and bridge fund from the hospital construction when construction was completed in December, 2006.

Expenditures made by road and bridge funds for work on a bridge located within city boundaries and assisting a city with road preparation for construction of a new cell phone tower were also deemed appropriate by the County Commission for the following reasons: 1. The bridge is located between two adjoining cities with use by not only city citizens who pay county taxes for road and bridge funding, but also by county citizens traveling to the two cities as well as road and bridge equipment traveling to the county roads located nearby; and 2. The construction of the cell phone tower was essential in establishing cell phone service in an area of the county that did not allow service for the road and bridge personnel by cell phone, thereby increasing the efficiency in communication with said personnel during regular work hours and emergency situations.

C. *We will comply with this recommendation.*

The Presiding County Commissioner indicated:

B.2. *This issue will be considered and addressed with the Ex Officio Recorder of Deeds upon her return to work.*

2.

County Commission Minutes

The County Commission's procedures related to holding and documenting closed meetings need improvement to ensure compliance with statutory provisions.

Open session minutes did not always indicate that the meeting was being closed or did not always provide the specific reason(s) for closing the meeting. In addition, votes or final actions, if any, taken by the commission during closed meetings were not always documented in the open meeting minutes. Finally, minutes were not available for all closed meetings.

Without minutes of closed meetings, proper documentation regarding closure of meetings, and subsequent documentation of actions taken in closed meetings, there is no record of the discussions held or support for the decisions made, and less assurance to the public that the various statutory provisions are being followed. The Sunshine Law, Chapter 610, RSMo, requires minutes be kept for all closed meetings, provides guidance on topics that are allowed to be discussed in closed meetings, and outlines the various documentation requirements. Sufficiently detailed records are needed to demonstrate compliance with statutory provisions and support important decisions made.

WE RECOMMEND the County Commission ensure that minutes are maintained for all closed meetings and that sufficient details are provided in both open and closed meeting minutes to show compliance with statutory provisions and support important decisions made.

AUDITEE'S RESPONSE

The County Commission indicated they will abide by the letter of the law for conducting and documenting closed meetings.

3.

Property Tax System

Property tax system procedures and controls are not sufficient. The County Clerk does not prepare or verify the current and back tax books or properly maintain an adequate account book with the County Collector. Neither the County Clerk nor the County Commission verify the County Collector's settlements. Additionally, password controls are not adequate and access to the property tax system is not restricted to only authorized users.

A. The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books. The County Collector obtains tax rates from the County Clerk, enters the tax rates in the computer system, and extends and prints the current tax books. The County Collector also prepares and prints the back tax books. According to the County Collector, she randomly tests the accuracy of several tax statements, but does not document this procedure, nor is the County Clerk involved

in this procedure. Further, the County Clerk does not perform tests to verify the totals of the current and back tax books.

Because the County Collector is responsible for collecting property tax monies, good internal controls require that someone independent of that process be responsible for generating and testing the accuracy of the property tax books.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and back tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, the County Clerk should verify the accuracy of the tax books and document approval of the tax book amounts to be charged to the County Collector. Failure to do so could result in errors or irregularities going undetected.

- B. Neither the County Commission nor the County Clerk provide an adequate review of the activities of the County Collector. The County Clerk does not maintain an adequate account book with the County Collector and there is no comparison of independent information for collections, additions, and abatements to the financial data that the County Collector reports on the annual settlements.

During the audit period, the County Collector's monthly settlements were submitted to the County Clerk and collection, addition, and abatement amounts recorded on the County Clerk's account book were obtained from the settlement. The County Clerk did not use any independent sources to prepare or verify the account book. The collection and distribution information reported on the monthly settlements is not compared to the County Treasurer's receipt records of monies received from the County Collector. In addition, additions and abatements reported on the monthly settlements are not compared to the addition and abatement court orders approved by the County Commission. Because additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored, errors or irregularities could go undetected. As a result, County Collector's annual settlements are not being adequately reviewed.

Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. In addition, Sections 137.260 and 137.270, RSMo, assigns responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission.

An account book, prepared from independent sources when possible, or other records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure

that the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County

Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

WE RECOMMEND:

- A. The County Clerk prepare the current and delinquent tax books or, at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts.
- B.1. The County Clerk maintain records that summarize property tax system transactions and changes using independent sources when possible.
- 2. The County Clerk and County Commission monitor property tax system activities and perform a thorough review of the County Collector's annual settlements.

AUDITEE'S RESPONSE

- A. *The County Clerk indicated she will meet with the County Collector at the time tax books are prepared and perform testing procedures to ensure the accuracy of the tax books.*
- B.1 & 2. *The County Clerk and County Commission indicated a system will be established to track property tax activities and changes for the purpose of verifying the County Collector's settlement information on a quarterly and annual basis.*

4. Property Tax Reduction Due to Sales Tax

Errors were noted with the county's property tax rollback calculations for sales tax revenues. For 2005, sales tax revenues were estimated based upon the first five calendar months rather than the first six calendar months as provided by law, and an incorrect tax rate ceiling was used. As a result, the general revenue property tax levy was not sufficiently reduced, resulting in excess property tax collections of approximately \$38,021 at December 31, 2005. While the county's 2006 calculations properly identified the large amount of excess property tax collections from prior years, the county chose not to reduce its property tax levy further to reduce the excess at that time which allowed the excess to carryover to subsequent years. Reasons for this decision were not documented. Other minor errors were also noted in the 2006 calculation.

The county was notified in February 2007, that the state Department of Revenue (DOR) had improperly distributed approximately \$69,233 of ambulance district property tax monies to the county from February 2005 through June 2006. Based on this information, it appears likely the county's rollback for 2006 was sufficient. However, details regarding the DOR errors will need to be obtained and considered for the 2007 rollback calculation.

Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. Iron County voters enacted a one-half cent sales tax with a provision to reduce property taxes by fifty percent of sales taxes collected.

WE RECOMMEND the County Commission consider the DOR errors in the 2007 property tax rollback calculations and ensure worksheets with proper adjustments or reasons for not making adjustments are retained.

AUDITEE'S RESPONSE

The County Commission indicated they made protests to the state Department of Revenue regarding the large sales tax distribution amounts received during 2005 and 2006. The 2006 levy was not further reduced because they believed the distribution amounts were incorrect. In addition, efforts will be made to ensure future rollback calculations are proper and decisions adequately documented.

5.

County Vehicle Use

The county does not have adequate written policies and effective monitoring procedures regarding vehicle usage. County vehicles are used for commuting by several road and bridge employees and this benefit is not recorded on the employees' W-2 forms.

Some vehicles are assigned to road and bridge employees, housed at their homes rather than a road and bridge shed, and used for commuting purposes. The County Commission indicated several reasons for assigning vehicles in this manner, including: 1) less response time is needed if emergencies arise, 2) less mileage is incurred due to location of homes as compared to work sites, and 3) decreased vandalism to the vehicles and less theft of fuel from the vehicles. However, the county has not documented an analysis to demonstrate that the commuting policy results in a financial benefit to the county, to determine the value of commuting benefits provided to employees (and reportable to the IRS), or to support their reasons for vehicle assignments to various employees.

The county's policy regarding use of county vehicles is not sufficient and states, "Employees who are assigned take-home vehicles from the county fleet are prohibited from using the vehicle for any use outside of county business except for insignificant personal use." The policy does not address information recommended in our prior audit and does not address issues related to commuting benefits as defined by the IRS. The county does not calculate commuting mileage and report the value on employees' W-2 forms as taxable benefits.

While vehicle maintenance logs are prepared, these logs do not adequately document destinations, odometer readings, and purpose of use. As a result, the logs do not clearly distinguish between business and commuting mileage. These logs should include trip information (i.e. employee, dates used, beginning and ending odometer readings, destination, and purpose) as well as operating costs information.

The Internal Revenue Service (IRS) reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. IRS guidelines also require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs which distinguish between business and personal usage. Because procedures have not been established to ensure the IRS regulations are followed, the county may be subject to penalties and/or fines for failure to report all taxable benefits. An adequate county vehicle policy is needed to inform county officials and employees of the proper use of county vehicles, outline vehicle usage log documentation requirements, address and define personal use of vehicles, and identify applicable IRS guidelines and reporting requirements.

WE RECOMMEND the County Commission perform a cost/benefit analysis related to county vehicle assignments and use, develop a comprehensive county vehicle policy, require that vehicle logs provide sufficient information, and comply with IRS reporting requirements related to personal commuting mileage.

AUDITEE'S RESPONSE

The County Commission indicated their analysis and documentation related to use of county vehicles will be improved.

6.

Budgetary Procedures

Budgets were not prepared for several county funds and financial information related to some projects was not presented in the county's overall budget document. Also, the county's monitoring procedures did not prevent actual disbursements from exceeding budgeted amounts for several funds.

- A. Budgetary information related to several funds was not included in the county's comprehensive budget document for 2005 and 2004 as follows:

Fund	Years Ended December 31,	Approves Fund Expenditures:
Iron County Hospital Construction	2005	County Commission
Iron County Hospital Sales Tax	2005	County Commission
Ameren Hospital	2005	County Commission
Rural Health Survey Grant	2005 and 2004	County Commission
Community Development Block Grant	2005 and 2004	County Commission
Emergency Radio	2005 and 2004	County Commission
Special Election	2004	County Commission
Prosecuting Attorney Delinquent Tax	2005 and 2004	Prosecuting Attorney
Prosecuting Attorney Bad Check	2005 and 2004	Prosecuting Attorney
Law Library	2005 and 2004	Prosecuting Attorney
Circuit Clerk Interest	2005 and 2004	Circuit Court
Iron County Drug Court	2005	Circuit Court
Associate Circuit Interest	2005 and 2004	Associate Circuit Court
County Law Enforcement Restitution	2005	Sheriff
Sheriff's Revolving	2004	Sheriff
Sheriff's Special	2004	Sheriff

In 2005 receipts and disbursements totaling approximately \$1,807,000 and \$1,198,000, respectively, were not included in the county's overall budget, representing approximately 35 percent and 25 percent of the county's actual receipts and disbursements, respectively. The hospital funds, which were new in 2005, account for \$1,601,000 and \$997,000 of these receipts and disbursements. The County Commission indicated project budgets were prepared and approved for grant funding related to the hospital, Community Development Block Grant (CDBG) elevator, and emergency radio projects, however, they did not realize the inclusion of budget information in the overall county budget document submitted to the State Auditor's office was necessary.

The lack of budgetary information for the Iron County Hospital Construction fund, represents a significant omission from the county's Budgetary Comparison Schedule - General Fund and Major Special Revenue Funds - Cash Basis in this report's Required Supplementary Information.

Without budgets, the various county officials' ability to monitor overall county financial resources and make effective budgetary decisions is hindered.

Chapter 50, RSMo, requires that county budgets present a complete financial plan by providing financial information for all county funds, and describes required contents of the county's budget document. In addition, statutory provisions prohibit the expenditure of public funds without an approved budget that has been filed with the State Auditor's office.

B. Actual disbursements exceeded budgeted amounts for several funds, as follows:

Fund	Year Ended December 31,	
	2005	2004
Law Enforcement Training Fund	\$ 1,210	N/A
Marriage Fund	500	N/A
Record Preservation Fund	10,789	7,170
Sheriff Civil Fund	N/A	1,146
Tax Maintenance Fund	10,808	7,651
Audio Fund	N/A	828

While budget reports and fund balance information are provided to the various officials, it appears this procedure is not resulting in effective monitoring for some funds.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year.

WE RECOMMEND:

- A. The County Commission and other county officials ensure budgets are prepared for all county funds and included in the county's overall budget document.
- B. The County Commission and other county officials review financial reports carefully for their respective special revenue funds and refrain from approving disbursements which exceed budgeted amounts.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. *Operating budgets were prepared for the hospital project, CDBG elevator project, and radio grant funds but were not included in the county's official budget document. Such expenditure information was required to be eligible for the associated funds. We will ensure that budgets for all special funds are included in the county's overall budget document in the future.*
- B. *The county will improve efforts to monitor expenditures for all special revenue funds.*

Computer systems and data are vulnerable to unauthorized use, modification or destruction. Password and backup procedures are not adequate in some county offices.

- A. Access to computer systems and data is not adequately restricted to only authorized users. Passwords are not used in the Prosecuting Attorney's, Public Administrator's, and Sheriff's office. Although the County Collector uses a password to obtain access to the computer system, the password is saved in the system and is automatically loaded into the sign on screen from which the collection data is accessed. As a result, any potential user does not need to know the password to log into the system. In addition, the password is changed infrequently. The County Collector indicated passwords are only changed about twice a year. An ineffective password system increases the risk of unauthorized access and changes to the computer systems and county data.

Passwords are an effective, simple control to provide protection against improper access to computer systems and data. To establish individual responsibility and to help preserve the integrity of computer systems and data files, access should be limited to authorized individuals through the use of access controls such as passwords. Unauthorized access can result in the disclosure of confidential county information and the deletion or alteration of data files and programs. A unique password should be assigned to each user of a system and passwords should be kept confidential and changed periodically to help prevent unauthorized access to computer systems and data files.

- B. The Prosecuting Attorney's office does not prepare backups of financial and other data to prevent loss of information and to ensure that all essential information and computer systems can be recovered following a disaster or computer failure. The Sheriff's office and the Public Administrator's office both prepare data backups; however, the backups are not periodically stored at an off site location. In addition, the antivirus software installed on the Prosecuting Attorney's computer systems is not properly updated with current virus information available from the antivirus software vendor and is not used regularly to perform system scans to ensure protection of the office's data.

Backing up data files and systems is critical for system recovery and continuity of operations. Backups are used, for example, to restore files after a personal computer virus corrupts the files or after a computer hard drive fails. Frequency of backups depends upon how often data changes are performed and how important those changes are. The Prosecuting Attorney should determine what backup schedule is appropriate. Normally, the primary contingency strategy for computer systems and data is regular backup and secure offsite storage. Regular backup procedures decrease the amount of work required to restore data to its original condition prior to

the disruption. Storing backups offsite provides another level of assurance of access to data. The Prosecuting Attorney, Sheriff, and Public Administrator should determine how often backups should be stored offsite.

Maintaining adequate antivirus software is critical to system protection. Properly used antivirus software protects computer systems from most destructive viruses. The Prosecuting Attorney should ensure antivirus software is installed, properly updated, and regularly used to perform system scans.

WE RECOMMEND:

- A. The County Collector, Prosecuting Attorney, Sheriff, and Public Administrator require passwords for all employees which are confidential and periodically changed to prevent unauthorized access to the county's computer systems and data.
- B.1. The Prosecuting Attorney, Sheriff, and Public Administrator ensure data is backed up on a regular basis, ensure data is stored at a secure off-site location, and develop appropriate backup and restoration procedures.
 - 2. The Prosecuting Attorney ensure the office's computer systems are protected by regularly updating antivirus software and performing system scans to detect destructive viruses.

AUDITEE'S RESPONSE

- A. *The County Collector indicated password procedures will be changed to satisfy this recommendation.*

The Prosecuting Attorney indicated that entry of a password is now required to access the three workstations in the office.

The Sheriff indicated that an individual password system to prevent unauthorized access to the computer systems and data has been implemented. In addition, passwords will be changed frequently.

The Public Administrator indicated that she will implement the suggested password controls.

- B.1. *The Prosecuting Attorney indicated the office's computer network is not presently equipped with a magnetic tape backup. The Prosecuting Attorney's Office may be moving to a new location in the near future. In light of this situation, the Prosecuting Attorney's Office will look into a cost-effective method for backing up data at present and plan for long-term backup solutions in the future.*

The Sheriff indicated that a regular backup routine and procedures for backup and restoration of data have been implemented. Backups are stored at a secure off-site location - the bank safety deposit box.

The Public Administrator indicated that she will begin storing a copy of the backup file offsite periodically.

B.2. The Prosecuting Attorney indicated antivirus software has been installed and system scans will be performed.

8. County Collector's Accounting Controls and Procedures

The County Collector does not perform month-end reconciliation procedures to ensure the bank account balances are in agreement with partial pay records and other identified liabilities. Partial pay records need improvement.

The County Collector is responsible for collecting and distributing property taxes for most political subdivisions within the county. During the years ended February 28, 2006 and 2005, monies totaling approximately \$7,043,000 and \$6,722,000, respectively, were collected and distributed.

The County Collector accepts partial payments and maintains a manual ledger to track amounts received and amounts still due. However, this record does not contain clear and sufficient information to readily determine, at any given date, the total amount of balance due or cash being held related to the partial payments. As a result, month end summaries of partial pay balances are not prepared and partial pay information is not considered during month-end reconciliation procedures.

The County Collector does not prepare monthly listings of liabilities, but upon our request prepared a listing to compare to the reconciled bank account balances for June 30, 2006. The reconciled bank balance appeared to materially agree to identified liabilities.

Monthly reconciliations of the cash balance to liabilities and accounting records are necessary to ensure the cash balances are sufficient to cover liabilities. Without the preparation of such reconciliations, there is less assurance that cash receipts and disbursements have been properly handled and recorded. In addition, clear and adequate records should be maintained to document, at any given date, the total amount of balance due or cash on hand related to partial payments.

WE RECOMMEND the County Collector prepare a monthly listing of liabilities, reconcile this listing to the reconciled bank balance, investigate any unreconciled differences, and make the appropriate adjustments to correct any differences noted. In addition, the County

Collector should revise the partial pay record keeping system so that transactions and receivable balances can be more readily determined, monitored, and considered during month-end reconciliation procedures.

AUDITEE'S RESPONSE

The County Collector indicated that monthly reconciliations of liabilities are now prepared. Partial pay records will be improved to identify transactions and receivable balances, and provide information needed for incorporation into the monthly reconciliation process.

9. Circuit Clerk and Ex Officio Recorder of Deeds' Accounting Controls and Procedures

Circuit Court procedures related to accounts receivable and manual receipts need improvement. Old bank accounts need to be reviewed by the Circuit Clerk and any unidentified or unclaimed monies should be disposed of as provided by law. Accounting duties are not adequately segregated in the Ex Officio Recorder of Deeds' office.

The Circuit Court processed receipts totaling approximately \$327,000 and \$155,000 during the two years ended December 31, 2005, in civil and criminal case fees, fines, and bonds. The Ex Officio Recorder's office processed receipts totaling approximately \$99,000 and \$94,000 during the two years ended December 31, 2005, in recording fees and copy charges.

- A. A listing of accrued costs owed to the court is maintained in the Circuit Clerk's computer system, the Justice Information System (JIS). As of June 2006, the balance was approximately \$244,000. Two cases reviewed totaling \$3,942 did not reflect current information such as billing for state criminal costs upon incarceration or write off of the account balance. Five cases reviewed totaling \$5,474 had been assessed costs; however, the unpaid balances had not been appropriately monitored and followed up on by the court. For example, for two of the cases with amounts due totaling \$1,113 and \$1,419, the court had notified the defendants to make payment in full to the court by July 2003 and November 2004, respectively. Although, neither defendant had paid in full as of June 2006; the court had not documented any further collection attempts in these cases. A comparison of the records of prisoners transported to the state during 2006 and 2005 to criminal cost billings reimbursed to the county by the state indicated that there may be a significant number of cases which have not been billed to the state.

The Circuit Clerk should periodically generate a list of accrued costs and review for accuracy and completeness. A complete and accurate listing of accrued costs would allow the Circuit Clerk to more easily review the amounts due to the court and to take appropriate steps to ensure amounts owed are collected. Establishing procedures to ensure cases are updated or removed from the accrued cost list would

help ensure the list is complete and accurate. Inadequate procedures for the collection of accrued court costs may result in lost revenues.

- B. Manual receipt slips are not reconciled to the Justice Information System (JIS). Receipts are usually posted to the JIS as received. However, manual receipt slips may be issued when the computer system is not available. The manual receipt slips are filed in the corresponding case file after being entered in the JIS. There is no independent review to ensure manual receipt slips are properly entered into the JIS and subsequently deposited. In addition, the manual receipt slips issued were not official, pre-numbered receipt slips.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, procedures should be established to account for manual receipt slips and verify that the receipts have been recorded on the JIS and deposited. In addition, official pre-numbered receipts slips should be obtained and used when manual receipt slips are necessary.

- C. As similarly discussed in prior audit reports, the Circuit Court maintains two bank accounts which contain old case monies and interest receipts. The Circuit Clerk indicated one account held unidentified case fees and accumulated interest receipts, and there is no documentation of the composition of the majority of the account's balance which was received from the prior Circuit Clerk. As of April 2006, the account balance exceeded \$15,000. The Circuit Clerk indicated the second account balance resulted from unclaimed fees. As of June 2006, the account balance totaled \$1,151. The Circuit Clerk should investigate activity in these accounts and attempt to identify reasons for monies held. Any unidentified or unclaimed amounts should be disposed of as authorized by various statutory provisions.
- D. Cash custody and recordkeeping duties have not been adequately segregated in the Ex Officio Recorder of Deeds' office. The Deputy Recorder performs all collection, deposit, disbursement, billing, reconciliation, and reporting activities, with little or no supervisory review. While the Ex Officio Recorder of Deeds indicated bank reconciliations are reviewed every month, this review is not documented.

Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

WE RECOMMEND the Circuit Clerk and Ex Officio Recorder of Deeds:

- A. Establish procedures to monitor and collect accrued costs, and update JIS information for case activity, such as billings and write offs. The Circuit Court should identify old cases that include costs which are billable to the state, ensure criminal cost billings are prepared for those cases, and establish a procedure to ensure that applicable criminal case costs are billed to the state in a timely manner.

- B. Ensure manual receipt slips are recorded on the JIS and properly accounted for. In addition, official pre-numbered manual receipt slips should be obtained for use when necessary.
- C. Further investigate old circuit court bank account balances. Any unclaimed monies and monies remaining unidentified should be disposed of in accordance with state law. Interest receipts should be deposited to the Circuit Clerk's Interest Fund.
- D. Segregate Ex Officio Recorder of Deeds' duties to the extent possible, and ensure periodic supervisory reviews are performed and documented.

AUDITEE'S RESPONSE

The Deputy Circuit Clerk indicated:

- A. *With regard to the failure to deal with closing out cases and billing for cases, a special projects request of the Office of the State Court Administrator has been approved for four deputy clerks from Wayne County to assist in closing out files and completing applicable case billings. Criminal cost billing procedures will be discussed with the Presiding Judge.*
- B. *Pre-numbered manual receipt slips are now being used and we will reconcile these with the receipts issued by the JIS.*
- C. *One of the old bank accounts has been closed as suggested. Closure of the second bank account will be discussed with the Presiding Judge.*

The Deputy Recorder of Deeds indicated:

- D. *The recommendation will be discussed with the Ex Officio Recorder of Deeds when she returns to work from an extended leave status. At this time it is not possible to segregate duties in this office.*

10. Associate Circuit Court Accounting Controls and Procedures

Associate Circuit Court procedures related to accounting duties, manual receipt slips, and accounts receivable are in need of improvement. The Associate Circuit Court processes approximately \$240,000 annually in civil, probate, and criminal case fees, fines, and bonds. Our review of the court's controls and procedures indicated the following areas where improvements are needed:

- A. Cash custody and recordkeeping duties have not been adequately segregated in the Associate Circuit Court and supervisory reviews of accounting records are not performed. One court clerk performs all duties for criminal and civil cases including collecting monies, recording transactions, and preparing deposits. Another court clerk performs all duties for probate cases including collecting monies, recording

transactions, and preparing deposits and also prepares disbursements and performs month-end reconciliations for the Associate Circuit Court's bank account. There are no reviews performed by the Associate Circuit Judge of the accounting records.

Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. Receipts are usually posted to the Justice Information System (JIS) as received. However, manual receipt slips may be issued when the computer system is not available. The corresponding JIS receipt number is recorded on the manual receipt after the information is entered in the JIS. There is no independent review to ensure all manual receipt slips are properly entered into the JIS and subsequently deposited. In addition, the manual receipt slips issued are not official, pre-numbered receipt slips.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, procedures should be established to account for manual receipt slips and verify that the receipts have been recorded on the JIS and deposited. Official pre-numbered receipts slips should be obtained and used when manual receipt slips are necessary.

- C. A listing of accrued costs owed to the court is maintained in the Associate Circuit Court's JIS computer system. As of June 2006, the accrued cost balance was approximately \$136,000. Three cases reviewed showed accrued costs totaling \$6,718; however, because the judge had previously authorized these balances to be written off, these cases should have no longer been included on the listing. Apparently, the court clerk had failed to update the JIS accounts receivable information. Establishing procedures to ensure cases are updated or removed from the accrued cost list as appropriate would help ensure the list is complete and accurate, and improve the court's ability to effectively monitor case balances.

WE RECOMMEND the Associate Circuit Court:

- A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.
- B. Ensure manual receipt slips are recorded on the JIS and properly accounted for. In addition, official pre-numbered manual receipt slips should be obtained for use when necessary.
- C. Establish procedures to ensure case balances are updated in accordance with judicial orders.

AUDITEE'S RESPONSE

The Associate Circuit Judge indicated:

- A. *The respective clerk's accounting duties have been segregated as much as is possible. There are only two clerks in the office. Our obligation is to provide the most efficient service possible to the people using our court system. When one clerk is required to be in court, is out of the office on sick leave or vacation, or is at lunch, it is not feasible to expect our consumers to come back a second time in order to pay a fine or file a lawsuit. The consumers expect and deserve to be assisted by whichever clerk is maintaining the office, regardless of whether it is a civil, criminal or probate matter. We cannot further segregate accounting duties without additional personnel.*

However, as the elected office-holder, I will begin quarterly reviews of receipts, accounting records, and deposits.

- B. *Both clerks presently ensure that the manual receipt slips are recorded on the JIS and properly accounted for. The JIS receipt number is recorded on the manual receipt as soon as it is obtained from the JIS. The manual receipts are in a bound receipt book and any missing receipts would be obvious.*
- C. *Although the clerks have always made the docket entries with regard to waived costs, they now use a receipt with a 8504 code (Judicial Order) which disposes of the costs. The clerks were not aware of this option previously, and the change has already been implemented.*

11. Prosecuting Attorney's Accounting Controls and Procedures
--

Some receipt records could not be located and month-end reconciliation procedures are not performed to ensure that the bank account balance is sufficient to cover the related liabilities.

- A. Court ordered restitution receipt books for January 2004 through August 2005 could not be located. Although a record of restitution balances and payments is retained in each case file, the receipt slips provide information, such as method of payment, payor, etc., which is needed to thoroughly document the handling of transactions and the eventual disposition. Without these records there is less assurance that court ordered restitution transactions were accounted for properly.

Record retention is necessary to ensure the validity of transactions and provide an audit trail. In addition, Section 109.270, RSMo, states that all records made or received by an official in the course of their public duties are public property and are not to be disposed of except as provided by law.

- B. Checks and money orders received by the Prosecuting Attorney's office for court ordered restitution, bad check restitution, and bad check fees are generally made payable to the victim or merchant and County Treasurer. However, when checks and

money orders are made payable to the Prosecuting Attorney or cash payments are received, these receipts are deposited into the trustee account.

As discussed in several prior reports, monthly listings of liabilities are not prepared for this account, and consequently, there is no verification that cash balances are sufficient to pay all liabilities. The prior report noted that as of June 2002 the trustee account balance exceeded identified liabilities by approximately \$2,500. Although requested the Prosecuting Attorney did not prepare a current listing of liabilities. As of January 23, 2006, the trustee account balance was approximately \$3,963.

Monthly reconciliations of the cash balance to liabilities and accounting records are necessary to ensure the cash balance is sufficient to cover liabilities. Without such reconciliations, there is less assurance that cash receipts and disbursements have been properly handled and recorded. The Prosecuting Attorney should follow up on the old account balance and dispose of any unidentified monies in accordance with state law.

WE RECOMMEND the Prosecuting Attorney:

- A. Retain financial records in a secure location to prevent misplacement or loss.
- B. Prepare monthly listings of liabilities, reconcile this listing to the reconciled bank balance, and investigate any differences. In addition, after sufficient follow up efforts are completed, any unidentified funds should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Prosecuting Attorney indicated:

- A. *The receipt journals for 2004 and 2005 were located after the pre-exit interview. The receipts journal is now kept in a secure place in the office along with other records. The Prosecuting Attorney's Office is aware of the retention schedule for documents and consults with the Secretary of State's Office to keep abreast of document retention requirements.*
- B. *On August 30, 2006, the Iron County Prosecuting Attorney's Office adopted a written policy that only money orders will be accepted for payment of restitution, payment on bad checks and bad check fees. These money orders are made payable to the victim, merchant, or Iron County. The Prosecuting Attorney's Office will balance, reconcile, and review the account. Since there is still a diversity of opinion concerning where the unidentifiable funds should be transferred, the Prosecuting Attorney's Office will maintain a quarterly review procedure until the funds can be transferred to the proper entity.*

12.**Sheriff's Accounting Controls and Procedures**

Controls and procedures of the Sheriff's office were inadequate for much of the audit period. The Sheriff's department had no bookkeeper from March through September 2005 and recordkeeping duties were performed by various employees. Subsequent to September 2005, the Sheriff retained a bookkeeper and it appears that several key controls were implemented.

The Sheriff's department handles bond monies, paper service fees, gun permits, conceal and carry permits, drug screening fees, trailer inspections fees, and vending commissions. Overall receipts were approximately \$168,000 for the two years ended December 31, 2005, with bond activity accounting for approximately \$143,000 of this total.

- A. Paper services fees and gun permits are deposited into the Sheriff's bank account. Our review of account activity determined that receipt and deposit records lacked proper details, some monies collected were not recorded or deposited timely, monies were not adequately secured prior to deposit, reconciliation procedures were not performed, and required disbursements were not made for several months
- 1) Receipts slips do not indicate method of payment and deposit slips did not indicate receipt slip numbers. Also, there is no indication in the receipt record to identify when deposits are made and what items are included. Receipts were not deposited intact and no reconciliation of receipts to deposits was performed. Our review of 2005 deposits indicated total deposits exceeded recorded receipts by approximately \$873. Discrepancies were noted for 12 of 26 deposits made to the Sheriff's account during 2005. A closer review of 4 consecutive deposits in May and June 2005 showed receipts totaling \$179 did not appear to be deposited and \$340 included in the deposits did not appear to be receipted. As a result, there is less assurance that all monies received were appropriately recorded and accounted for.
 - 2) Deposits were not made on a regular schedule, and were only made once or twice a month for 13 months during 2005 and 2004. Gun permit fees are generally received in cash, and checks and money orders are not restrictively endorsed until deposits are prepared.

To adequately account for collections and reduce the risk of loss or misuse of funds, receipts slips should indicate the method of payment (i.e., cash, checks, or money orders), the receipt slip numbers should be accounted for, and the composition and details should be reconciled to bank deposits. In addition, checks and money orders should be endorsed upon receipt and deposits should be made intact on a timely basis. Deposits should be more frequent if significant amounts of cash are received.

- 3) No bank reconciliations were prepared for March through September 2005. In addition, regular month-end disbursements were not made during this same time period. Monies received between March and September 2005 totaled approximately \$3,900. Of this amount, \$1,600 was disbursed to the County Treasurer in late September or early October, and \$2,300, had not been distributed as of December 31, 2005. There was no summary report or information in the records to support the \$1,600 disbursed to the County Treasurer and the amount could not be associated with specific receipt activity. The current bookkeeper began performing bank reconciliations and making disbursements again in October 2005. Her comparisons of bank account activity and the accounting records has determined that there are some unidentified monies in the account balance.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement and to detect and correct errors timely. Also, Section 50.370, RSMo, requires every county official who receives fees for official services to pay such monies monthly to the county treasury. To ensure accountable fees are properly accounted for, the Sheriff should attempt to determine the source of undistributed monies still in the bank account. Any monies that remain unidentified should be disposed of as provided by state law.

- B. Bond forms which serve as receipt slips for bond payments are not adequately accounted for. Bond forms are prenumbered; however, the Sheriff's department occasionally uses generic bond forms that do not have a sequential number on the form. In addition, the numeric sequence of the bond forms is not accounted for by the bookkeeper. The use of unnumbered bond forms decreases the ability to ensure bond receipts are adequately recorded and properly distributed to the appropriate court.

To adequately account for collections and reduce the risk of loss or misuse of funds, only prenumbered bond forms should be issued. In addition, the numeric sequence of the bond forms should be accounted for to prevent unauthorized use.

- C. The Sheriff's department houses prisoners for other political subdivisions in the county jail and bills the various entities for these services. Payments are made directly to the County Treasurer. The Sheriff's office does not maintain a log or other record to track billings and payments received, and has not established formal policies for follow-up collection efforts for unpaid billings. The County Treasurer does not notify the Sheriff's department of payments received, and no reconciliation of the Sheriff's billing records and payments received by the County Treasurer is performed.

Billing statements for 2005 and 2004 located by the Sheriff's office bookkeeper totaled \$10,119, while the County Treasurer's receipts records indicate other political

subdivisions paid a total of \$7,534 for board of prisoner billings. A comparison of billing and receipt details (entity billed, dates of incarceration, prisoner name, etc.) showed that, of the \$7,534 received, only \$3,989 could be traced to the Sheriff's department billing records. As a result, there is less assurance that billings for housing prisoners and the resulting payments have been adequately monitored and properly remitted to the County Treasurer for deposit.

A comprehensive record of amounts billed to and collected from the various entities should be used to track amounts due and to ensure all outstanding amounts are received in a timely manner. Formal policies and procedures should be established for billing and collecting, and for follow-up on delinquent billings. Also, a comparison of recent billing records and payments received by the County Treasurer should be performed, and any unpaid amounts pursued.

WE RECOMMEND the Sheriff:

- A.1. Ensure that sufficient details are provided in the receipts and deposit records, receipt slip numbers are accounted for, and composition of receipts is reconciled to bank deposits.
2. Ensure that checks and money orders are restrictively endorsed upon receipt, and all monies are deposited timely and intact.
3. Ensure that monthly bank reconciliations are prepared and that month-end disbursements are timely and agree to the accounting records.
- B. Ensure prenumbered bond forms are used and the numeric sequence is accounted for.
- C. Establish a comprehensive record and improve communication with the County Treasurer to track board of prisoner billings, and develop procedures to follow up on delinquent amounts. In addition, the Sheriff and the County Treasurer should perform a review of recent billing and payment records, and pursue any unpaid amounts.

AUDITEE'S RESPONSE

The Sheriff indicated:

- A.1. *In October 2005, we started using a register which includes date of deposit or check written, amount of deposit or check, check number, entity, notes as to breakdown of deposit amount or reason check written, and balance. A notation is also made in the receipt book as to the amount and date of deposits. Receipts for monies received are either copied along with service paper, or receipt number is noted on the check stub. Individual receipt numbers are written on deposit slips. Notation is made in the receipt book if money received is cash.*

2. *Deposits are made 3 or 4 times a month, and more frequently if large amounts of monies are received or have accumulated, and checks and money orders are endorsed upon receipt. Gun permit money is in cash and is deposited regularly with service fees.*
 3. *Monthly bank reconciliations are now being done. The secretary is continuing to attempt to determine the source of excess money in the account. It is possible a part of it could be undistributed interest earned, perhaps as much as \$200 or more, but there is nothing to actually prove that. Also, it is possible there was a shortage in the fees paid out to the Treasurer during August and September 2005 in the approximate amount of \$290.25. The secretary discussed options related to the unidentified account balance with auditors at the exit meeting.*
- B. *We are now using prenumbered bond forms. The period of time we were using unnumbered forms was due to our supply of prenumbered forms being depleted, and waiting for our order to be processed. This happened during the time when the company was working on election items and that took priority. The secretary accounts for the numeric sequence of forms by keeping a copy of each bond form issued. At the moment, our chief deputy accounts for the numeric sequence of the actual books used.*
 - C. *The secretary is in the process of implementing a more accurate tracking system for prisoner board billings. At the moment, a copy of each board bill is retained and a copy is given to the Treasurer. The Treasurer informs the secretary when a check is received and that is noted on our copy of the bill. The secretary is now keeping a spreadsheet of the board bills out to track and follow up on them to avoid future delinquent bills. The secretary and Treasurer have also discussed this and will review payment and billings records frequently to keep things up to date.*

The County Treasurer indicated:

- C. *The Sheriff's department secretary and I are working on developing a system to track and monitor current billings to ensure payments are received, and plan to follow up on prior billings.*

13.	Health Center Accounting Controls and Procedures
------------	---

Procedures related to budgets, collateralization of bank accounts, and computer information system controls are in need of improvement. The Health Center processes receipts and disbursements of approximately \$330,000 annually.

- A. *Annual budget documents approved by the Health Center Board for 2005 and 2004 presented some incorrect information. Actual receipts and disbursements as reflected on the detailed budget documents were inaccurate for 2005 and did not agree to the cash reconciliation page. Approved budget and actual amounts were not carried forward accurately from prior budgets. In addition, some footing errors were*

identified. While the accounting records were accurate, it appears the administrator made several posting and footing errors when compiling the budgets.

To improve the effectiveness of the budgets as a planning tool, the board should ensure that budgets are accurately prepared and reconciled to the accounting records prior to approval.

- B. The Health Center does not maintain banking service agreements. In addition, the Health Center does not have any procedures for monitoring the sufficiency of collateral securities pledged by the Health Center's banks to protect cash deposits. As a result, collateral securities pledged were insufficient as of February 28, 2006 and 2005, by approximately \$15,900 and \$36,100, respectively.

Section 110.020, RSMo, provides the value of the securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the Federal Deposit Insurance Corporation. Inadequate collateral securities leave the Health Center's funds unsecured and subject to loss in the event of bank failure. To ensure sufficient collateral securities are pledged, the Health Center should monitor the level of bank activity and notify the depository banks when additional securities need to be pledged. In addition, the Health Center should ensure banking service agreements are obtained.

- C. The Health Center financial data is not backed up on a periodic, predefined basis and data backups are not always stored at an off-site location. Although backups of financial data are performed once or twice a year, the backups are not performed frequently enough to provide recent transaction history for data recovery in the event of a disaster or computer failure. In addition, backup data for the financial system and for the state's vital records system are not stored off site.

Backing up data files and systems is critical for system recovery and continuity of operations. Backups are used, for example, to restore files after a personal computer virus corrupts the files or after a computer hard drive fails. Frequency of backups depends upon how often data changes are performed and how important those changes are. Normally, the primary contingency strategy for computer systems and data is regular backup and secure offsite storage. Regular backup procedures decrease the amount of work required to restore data to its original condition prior to the disruption. Storing backups offsite provides another level of assurance of access to data.

Important decisions to be addressed include how often backup procedures are performed and how often backups are stored off-site. A minimum level of backup information, together with records of the backup copies and documented restoration procedures, should be stored at the secure off-site location at a sufficient distance to avoid any damage from a disaster at the main site. These procedures should allow the Health Center to maintain business operations or to recover rapidly from most disruptions to or failure of the office's computer systems.

WE RECOMMEND the Health Center Board:

- A. Ensure budgets are accurately prepared and in agreement with the accounting records.
- B. Develop procedures to ensure adequate collateral securities are pledged and enter into banking service agreements as appropriate.
- C. Ensure data is backed up on a regular, predefined basis, ensure data is stored at a secure off-site location, and develop appropriate backup and restoration procedures.

AUDITEE'S RESPONSE

The Health Center Administrator indicated:

- A. *They will ensure budgets are accurately prepared and in agreement with the accounting records.*
- B. *They are obtaining banking service agreements and will develop a procedure to verify the adequacy of pledged collateral.*
- C. *They will back up financial data monthly and will ensure a copy of the backups are stored off site periodically. They will develop a policy to address backup and restoration procedures.*

Follow-Up on Prior Audit Findings

IRON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Iron County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2001. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Associate Commissioner Salaries

The Iron County Commission approved mid-term salary increases for the associate county commissioners totaling approximately \$7,700 annually. The county salary commission did not consider these raises. A subsequent Missouri Supreme Court decision held these raises were unconstitutional.

Recommendation:

The County Commission review the impact of this court decision and develop a plan for obtaining repayment of the salary overpayments. In addition, county officials' compensation should only be authorized by the salary commission.

Status:

Partially implemented. The associate commissioners' salary changes were discussed several times in commission meetings; however, a decision was not made and no further action has been taken by the County Commission. All additional salary changes have been approved by the salary commission. Although not repeated in the current MAR, the county should continue to seek repayment of the salary overpayments.

2. County Vehicles

- A. The county did not have a written policy on the use of county vehicles.
- B. While vehicle maintenance logs were prepared, the logs did not adequately document destinations, beginning and ending odometer readings, and purpose of use. The logs did not clearly distinguish between business and commuting use.

Recommendation:

The County Commission establish a written policy regarding the appropriate use of county vehicles. The policy should include necessary definitions, address allowable and unallowable use of vehicles and the records required to account for such use, justification for assigning vehicles to individuals, and justification for commuting. In addition, the county should comply with IRS guidelines related to commuting use, as appropriate.

Status:

Not implemented. See MAR finding number 5.

3. Personnel Policies

The county had not adopted a written county-wide overtime and compensatory time policy.

Recommendation:

The County Commission establish written policies about employee overtime and compensatory time.

Status:

Implemented.

4. Budgetary Practices and Expenditures

- A. Formal budgets were not prepared for some county funds and budgets had not been obtained from other county officials for some county funds held outside the county treasury.
- B. The county transferred \$16,000 and \$14,000 in 2001 and 2000, respectively, from the Special Road and Bridge Fund to the Iron County Industrial Development Association (ICIDA) Fund as reimbursement for approximately 50 percent of salaries and benefits of the ICIDA Administrator who also performed duties for the county road and bridge department. There was not a clear relationship between hours worked on various road and bridge tasks and the transfer amounts from the county Road and Bridge Fund.

Recommendation:

The County Commission:

- A. Ensure budgets are prepared or obtained for all county funds.

- B. Re-evaluate what is expected for compensation paid to the ICIDA Administrator and ensure that funding provided from the Special Road and Bridge and ICIDA Funds is reasonable as compared to tasks performed and hours worked.

Status:

- A. Not implemented. See MAR finding number 6.
- B. The county no longer shares an employee with the ICIDA board and provides no other funding to the board for operational expenditures.

5. Sheriff's Commissions Fund

The Sheriff's office maintained a bank account outside the county treasury for the deposit of telephone and vending machine commissions. Deposits did not provide sufficient identifying information and some disbursements from this fund were questionable. A budget had not been prepared for the fund and the fund was not listed in the county's published financial statements. Additionally, the county could not provide a current signed contract for the telephone and vending machine commissions.

Recommendation:

The Sheriff turn over custody of the Sheriff's Commissions Fund to the County Treasurer and turn over all future revenues to the County Treasurer. In addition, the Sheriff and County Commission should enter into a formal written contract with the entities providing telephone and vending services.

Status:

Implemented.

6. Associate Circuit and Probate Divisions' Controls and Procedures

- A. Bank reconciliations had not been prepared for the Banner Courts Case Management System account since the system was installed in April 2001.
- B. As of June 30, 2002, a court bank account contained \$16,000 of unidentified monies held on old criminal cases. The Division had not identified any of the items comprising this balance.

Recommendation:

The Associate Circuit Judge:

- A. Ensure bank reconciliations are prepared on a monthly basis. Any differences should be investigated and resolved in a timely manner.
- B. Require the Division employees attempt to identify the unidentified balance. Any monies remaining unidentified should be disposed of in accordance with state law.

Status:

A&B. Implemented.

7. Circuit Clerk's Controls and Procedures

- A. Five checks and money orders totaling \$795 had been on hand as long as one month but had not been recorded on any accounting record or deposited.
- B. Three bank accounts contained balances on old unidentified cases totaling about \$30,000. An additional bank account was maintained for the unclaimed balance on one case totaling about \$12,000.

Recommendation:

The Circuit Clerk:

- A. Ensure receipts are recorded properly and deposited promptly.
- B. Attempt to identify the unidentified balances. Any monies remaining unidentified and unclaimed monies should be disposed of in accordance with state law.

Status:

- A. Implemented
- B. Not implemented. See MAR finding number 9.

8. Prosecuting Attorney's Trustee Account

Monthly listings of open items were not prepared for the Prosecuting Attorney's trustee account and, open items were not reconciled with cash balances. The trustee account balance exceeded identified open items on June 20, 2002, by about \$2,500.

Recommendation:

The Prosecuting Attorney prepare monthly listings of open items and reconcile the listings to the cash balance and attempt to identify the unidentified balances. Any remaining unidentified monies should be disposed of in accordance with unclaimed property statutes.

Status:

Not implemented. See MAR finding number 11.

STATISTICAL SECTION

History, Organization, and
Statistical Information

IRON COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1857, the county of Iron was named for the abundance of iron ore. Iron County is a county-organized, third-class county and is part of the Forty-Second Judicial Circuit. The county seat is Ironton.

Iron County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 265 miles of county roads and 38 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 11,084 in 1980 and 10,697 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	2005	2004	2003	2002	1985*	1980**
	(in millions)					
Real estate	\$ 97.9	93.1	94.0	97.8	114.1	46.7
Personal property	25.8	23.9	24.2	26.9	16.1	16.3
Railroad and utilities	25.8	24.7	22.8	23.0	5.8	4.3
Total	\$ 149.5	141.7	141.0	147.7	136.0	67.3

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Iron County's property tax rates per \$100 of assessed valuations were as follows:

	Year Ended December 31,			
	2005	2004	2003	2002
General Revenue Fund	\$.3085	.3085	.3098	.3100
Special Road and Bridge Fund	.3015	.3017	.3017	.2854
Health Center Fund	.0999	.1000	.1000	.1000
Senate Bill 40 Board Fund	.0999	.1000	.1000	.1000

Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2006	2005	2004	2003
State of Missouri	\$ 48,025	46,049	45,820	47,592
General Revenue Fund	486,942	459,928	459,468	480,836
Special Road and Bridge Fund	460,915	438,124	434,036	433,189
Assessment Fund	85,606	81,432	63,304	65,549
Health Center Fund	152,010	144,695	143,763	150,874
Senate Bill 40 Board Fund	147,733	141,144	139,756	146,477
School districts	4,691,071	4,502,104	4,278,005	4,430,704
Library district	152,010	144,695	143,763	150,874
Ambulance district	228,050	217,078	215,669	226,321
Fire protection districts	278,829	264,417	173,699	188,680
Hospital district	99,929	85,299	84,802	86,933
Payments In Lieu of Tax	6,648	6,675	5,425	5,944
Tax Sale Surplus Fund	29,030	16,217	5,229	19,131
Collector Tax Maintenance Fund	10,437	9,383	10,127	4,905
Cities	32,022	35,266	35,503	34,888
County Clerk	1,276	1,155	1,084	1,116
County Employees' Retirement	37,040	36,523	38,127	31,544
Commissions and fees:				
General Revenue Fund	95,845	91,631	88,740	92,265
Total	\$ 7,043,418	6,721,815	6,366,320	6,597,822

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),			
	2006	2005	2004	2003
Real estate	96	96	96	96 %
Personal property	92	92	92	92
Railroad and utilities	99	100	100	100

Iron County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	\$.0050	None	50 %
Iron County Hospital	.0050	2010	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2006	2005	2004	2003	2002
County-Paid Officials:	\$				
Terry Nichols, Presiding Commissioner		26,609	26,609	26,609	
Ronald Murphy, Presiding Commissioner					26,609
Reggie Burns, Associate Commissioner		24,465	24,465	24,465	24,465
Dwayne Warncke, Associate Commissioner		24,465			
Guy Stevenson, Associate Commissioner			24,465	24,465	24,465
Norma Owens, County Clerk (1)		15,507			
Rodney Lashley, County Clerk (2)		15,507	27,912		
James Goggin, County Clerk (3)			9,304	37,216	37,216
Carl Strange, Prosecuting Attorney		43,659	43,659	43,659	
R. Scott Killen, Prosecuting Attorney					43,659
Allen Mathes, Sheriff		44,000	41,536	41,536	41,536
Jack Adams, County Treasurer		27,475	27,475	27,475	27,475
Anthony Cole, County Coroner		12,000	10,999	10,999	10,999
Sandra Trask, Public Administrator		40,000	37,731	37,686	37,635
Linda Kemp, County Collector, year ended February 28 (29),	37,252	37,252	37,252	37,252	
David Huff, County Assessor (4), year ended August 31,		38,436	38,513	38,648	38,226
Sidney Nickelson, County Surveyor (5)					

(1) County Clerk appointed August 1, 2005.

(2) County Clerk appointed April 1, 2004 and resigned May 31, 2005.

(3) County Clerk resigned March 31, 2004.

(4) Includes \$688, \$765, \$900, and \$900 annual compensation received from the state for year ended August 31, 2005, 2004, 2003, and 2002, respectively.

(5) Compensation on a fee basis.

State-Paid Officials:

Brenda Turner, Circuit Clerk and Ex Officio Recorder of Deeds		48,500	47,900	47,300	47,300
Kelly Parker, Associate Circuit Judge		96,000	96,000	96,000	96,000