



Susan Montee, CPA

Missouri State Auditor

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December 2007

Carroll County, Missouri

Years Ended

December 31, 2006 and 2005



Office of  
Missouri State Auditor  
Susan Montee, CPA

December 2007

**IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Carroll County, 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.**

For the years ended December 31, 2006 and 2005, the county implemented applicable provisions of various Government Accounting Standards Board (GASB) statements and prepared the basic financial statements and other information for inclusion in the county's financial report.

Various fees, which are restricted by law for law enforcement and recording purposes, are being incorrectly deposited into the county's General Revenue Fund, and the county can not ensure compliance with statutory provisions regarding the use of these fees. Approximately \$3,000 of Law Enforcement Training Fund monies were used for expenses not related to training.

Receipting and transmittal procedures need improvement and provide little assurance that all monies collected by the Assessor's office are properly handled and accounted for, and some receipt records could not be located.

Accounting duties within the Sheriff's office are not adequately segregated. Records and procedures related to bank reconciliations, month-end disbursements, and monitoring bank account balances need improvement.

Circuit Court procedures related to manual receipt slips and accounts receivable need improvement. Billable incarceration costs for four cases, totaling approximately \$12,100, were not billed to the state within statutory time limits, resulting in possible lost revenues for the county.

Accounting duties within the Prosecuting Attorney's office are not properly segregated and receipt records for partial payments are not sufficient.

Documentation and policies related to some Emergency 911 Board expenditures and reimbursements were not sufficient, and some purchases appeared unnecessary. Problems were identified with the budgetary procedures and various financial and payroll reporting. Property records and procedures are not adequate.

(over)

YELLOW SHEET

Contract-related payments made by the Senate Bill 40 Board to not-for-profit agencies were made prior to ensuring adequate services were received and contract terms met. The board's review of financial records is not sufficient and the bank account is not monitored for proper collateralization. Board meeting minutes are not signed.

The Health Center's records and procedures used to account for capital assets need improvement. Also, proper controls are not in place regarding facsimile stamp usage.

**All reports are available on our Web site: [www.auditor.mo.gov](http://www.auditor.mo.gov)**

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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 Carroll County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carroll County, Missouri, as of and for the years ended December 31, 2006 and 2005, 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 Carroll County, Missouri, as of December 31, 2006 and 2005, 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, the county implemented applicable provisions of Governmental Accounting Standards Board (GASB) 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*, for the years ended December 31, 2006 and 2005. 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. Also as discussed in Note 1, the county implemented applicable provisions of Statement No. 40, *Deposit and Investment Risk Disclosures*, and Statement No. 46, *Net Assets Restricted by Enabling Legislation*, for those years.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 16, 2007, 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 and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the GASB 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.

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 Carroll 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

October 16, 2007

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:	Lori Bryant
Audit Staff:	Melissa McCain
	Patrick Pullins
	Leslie Winger



**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 Carroll County, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carroll County, Missouri, as of and for the years ended December 31, 2006 and 2005, which collectively comprise the county's basic financial statements, and have issued our report thereon dated October 16, 2007. 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 Carroll County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of Carroll 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 Carroll 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

October 16, 2007

## Management's Discussion and Analysis

CARROLL COUNTY, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED DECEMBER 31, 2006 AND 2005

This discussion and analysis of Carroll County's financial performance provides an overview of the county's financial activity for the years ended December 31, 2006 and 2005. The information below, prepared by the county's management, should be read in conjunction with the financial statements that immediately follow.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

The county has elected to present its financial statements on the cash basis of accounting, a basis of accounting other than accounting principles generally accepted in the United States of America. "Basis of accounting" refers to when financial events are recorded. Under the cash basis of accounting, receipts 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-type activities—activities financed wholly or partially by fees charged to external parties for goods or services.

#### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the county as a whole. Some funds are required to be established by state law or by bond covenants. However, the County Commission establishes other funds to help it control and

manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, or other sources of receipts. The fund financial statements include only governmental funds, which focus on the flow of money into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed view of the county's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether more or fewer financial resources can be spent in the near future to finance the county's programs.

### The County as Trustee

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

### Other Information

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

In addition, the report includes the 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 net assets remained stable in the years 2006 and 2005 with net assets in total governmental funds as of December 31, 2006 having increased by a grand total of \$234,802 since December 31, 2004. Capital assets increased by more than \$200,000, primarily due to the purchase of seventeen optical scan and seventeen direct recording electronic devices (touch-screens) utilizing grants from the federal Help America Vote Act (HAVA) for elections.

THE COUNTY AS A WHOLE

		Year Ended December 31,		
		2006	2005	2004
Net Assets	\$	2,143,845	2,037,795	1,909,043
Program Receipts		2,374,764	2,067,713	2,219,334
General Receipts		1,796,039	1,667,592	1,813,336
Disbursements		4,064,753	3,606,553	3,988,182
Change in Net Assets		106,050	128,752	44,506

THE COUNTY'S FUNDS

The General Fund had a negative net change in cash balance of \$61,853 in 2006 with the carry-over balance of \$714,825 for a cash balance of \$652,972 at December 31, 2006. The significant change was in disbursements with a difference of \$211,292, which included the one-time HAVA grant funds utilized to purchase voting equipment. The General Fund had a positive net change of \$40,595 in 2005 with a carry-over balance of \$674,230 for a cash balance of \$714,825 at December 31, 2005.

The Special Road and Bridge Fund had a positive net change in cash balance of \$96,443 in 2006 due to the release of federal off-system bridge replacement (BRO) program payments for bridge construction that had been delayed by the state of Missouri in 2005. The 2005 Special Road and Bridge Fund change in cash balance was a negative \$3,536 due to the delay of the BRO payments because of funding issues on the federal and state level.

The 2006 Courthouse Restoration Fund cash balance increased by \$8,643 due to interest earned on the account balance. There were no major projects completed in 2006. The 2005 Courthouse Restoration Fund reflects a negative net change in cash balance of \$65,863. The ½ cent sales tax for this fund had a four year sunset ending in 2004.

The cash balance of the E-911 fund decreased by \$12,211 during 2006 due to excess disbursements over the receipts collected. The excessive expenditures appear to be primarily in the personnel line item where the actual amount spent exceeded the approved budget by \$39,175. In 2005, the net change in cash balance was \$99,156 with a carry-over of \$89,070 for a total cash balance on December 31, 2005 of \$188,226.

The Health Center Fund had expenditures less than receipts in both years and, therefore has a net change in cash balance of \$28,708 for 2006 and \$32,356 for 2005 for a total cash balance on December 31, 2006, of \$179,638.

The Other Governmental Funds, which includes the Assessment Fund, have remained stable in 2006 and 2005 with net change in cash balances \$46,320 and \$26,044 respectfully for a total cash balance of \$287,792 on December 31, 2006.

## General Fund Budgetary Highlights

In the General Revenue Fund for 2005, Intergovernmental Revenue was overestimated by \$8,004. This was primarily due to the Victims Advocate Grant monies of approximately \$8,050 not being received as anticipated. The other major shortfall in Intergovernmental Revenue that year was the reimbursement from the IV-D program in the office of the Prosecuting Attorney. The budget estimate was \$29,015, but the actual receipts were \$11,373 reflecting a shortfall of \$17,642. In the Charges for Services estimated receipts, the Sheriff State/Criminal Fees (including Board of Prisoners) category was overestimated in the Sheriff's and Jail budgets by \$41,869. Actual receipts from housing prisoners in the Carroll County Jail declined from \$182,332 in 2004 to \$69,631 in 2005 and \$56,821 in 2006.

Disbursements in 2006 and 2005 showed General Revenue departments staying within the amounts budgeted with the exception of Insurance and Bonds falling short by \$5,735 in 2005 and \$17,525 in 2006. This shortfall was due primarily to the liability insurance policy increasing from \$20,442 in 2004 to \$35,735 in 2005. According to our carrier, Missouri Public Entity Risk Management, the increase was due in part to the rising cost of litigating law enforcement claims. In 2006 the budgetary comparison schedule shows an under estimated disbursement total of \$5,691 in the Public Administrator budget, which was due to under estimating fees and commissions.

## CAPITAL ASSET AND DEBT ADMINISTRATION

Some major projects were completed in 2005 with Courthouse Restoration Fund monies. These included the remodeling of the basement room, formerly known as the break-room, now used as a meeting room and facility for outside agencies such as state auditors. In addition, the men's and ladies' restrooms on the second floor of the courthouse were refurbished. A major replacement of all sewer and ventilation lines was done in the Carroll County jail. This included replacement of fourteen stainless steel commercial grade toilets.

The county entered in a lease-purchase agreement of \$125,300 for the purchase of a Hyundai excavator in 2006. Fifteen quarterly payments of \$9,299 will be made, ending April 2010. The remaining principal at December 31, 2006 is \$110,182.

In 2004, the county entered into an agreement with the Department of Natural Resources for an energy loan of \$32,340 for new windows in the county courthouse. The remaining principal at December 31, 2006 is \$20,809.

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

In 2006, the Carroll County Commissioners entered in Economic Development Agreements with three separate entities for projects to be built in the county that include a 600 megawatt coal-fired power plant near Norborne, an ethanol plant east of Carrollton, and soybean crushing bio-diesel plant south of Tina. With each of the projects, payments in lieu of taxes (PILOTS) were negotiated. It is envisioned that these three ag-related industries will bring much needed growth in the area of property tax, sales tax and small business opportunities for county residents.

Two major pipelines are to be installed through the county beginning in the year 2007. Rockies Express will have a natural gas pipeline that will pass through Carroll County coming from Colorado and ending in Audrain County. Keystone Pipeline's crude oil pipeline will soon follow. This line will originate from Canada. These two projects will bring an increase to State Assessed utilities taxes, as well as rental income and sales tax from the estimated four hundred union construction workers on site.

#### CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

## Basic Financial Statements

Government-Wide Financial Statements

Exhibit A-1

CARROLL COUNTY, MISSOURI  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2006

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ <u>2,143,845</u>
Total Assets	<u>2,143,845</u>
<b>NET ASSETS</b>	
Restricted	1,490,873
Unrestricted	<u>652,972</u>
Total Net Assets	<u>\$ <u>2,143,845</u></u>

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

Exhibit A-2

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

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ <u>2,037,795</u>
Total Assets	<u>2,037,795</u>
 <b>NET ASSETS</b>	
Restricted	1,322,970
Unrestricted	<u>714,825</u>
Total Net Assets	<u>\$ <u>2,037,795</u></u>

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

Exhibit B-1

CARROLL COUNTY, MISSOURI  
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS  
 YEAR ENDED DECEMBER 31, 2006

		<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>
<b>GOVERNMENTAL ACTIVITIES</b>				
General county government	\$ 1,136,474	243,070	310,785	(582,619)
Roads and bridges	1,468,445	22,567	1,464,758	18,880
Public safety	1,027,665	107,220	42,044	(878,401)
Health and welfare	428,556	15,683	168,637	(244,236)
Other	3,613	0	0	(3,613)
 Total Governmental Activities	 <u>4,064,753</u>	 <u>388,540</u>	 <u>1,986,224</u>	 <u>(1,689,989)</u>
 Total Primary Government	 <u>\$ 4,064,753</u>	 <u>388,540</u>	 <u>1,986,224</u>	 <u>(1,689,989)</u>
 <b>GENERAL RECEIPTS</b>				
Taxes				
Property taxes				695,754
Sales and use taxes				929,953
Interest				90,070
Other				80,262
 Total General Receipts				 <u>1,796,039</u>
 Change in Cash Balances				 106,050
 NET ASSETS, JANUARY 1				 <u>2,037,795</u>
 NET ASSETS, DECEMBER 31				 <u>\$ 2,143,845</u>

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

Exhibit B-2

CARROLL COUNTY, MISSOURI  
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS  
 YEAR ENDED DECEMBER 31, 2005

		<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>
<b>GOVERNMENTAL ACTIVITIES</b>				
General county government	\$ 1,020,343	242,050	302,447	(475,846)
Roads and bridges	1,262,319	18,416	1,172,400	(71,503)
Public safety	904,536	116,933	49,553	(738,050)
Health and welfare	404,875	12,510	153,404	(238,961)
Other	14,480	0	0	(14,480)
 Total Governmental Activities	 <u>3,606,553</u>	 <u>389,909</u>	 <u>1,677,804</u>	 <u>(1,538,840)</u>
 Total Primary Government	 <u>\$ 3,606,553</u>	 <u>389,909</u>	 <u>1,677,804</u>	 <u>(1,538,840)</u>
 <b>GENERAL RECEIPTS</b>				
Taxes				
Property taxes				682,482
Sales and use taxes				867,906
Interest				51,467
Other				65,737
 Total General Receipts				 <u>1,667,592</u>
 Change in Cash Balances				 128,752
 NET ASSETS, JANUARY 1				 <u>1,909,043</u>
 NET ASSETS, DECEMBER 31				 <u>\$ 2,037,795</u>

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

Fund Financial Statements

Exhibit C-1

CARROLL COUNTY, MISSOURI  
 GOVERNMENTAL FUNDS BALANCE SHEET - CASH BASIS  
 DECEMBER 31, 2006

	General Fund	Special Road & Bridge Fund	Courthouse Restoration Fund	Emergency Enhanced 9-1-1 Fund	Health Center Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash	\$ 652,972	497,478	349,950	176,015	179,638	287,792	2,143,845
Total Assets	<u>\$ 652,972</u>	<u>497,478</u>	<u>349,950</u>	<u>176,015</u>	<u>179,638</u>	<u>287,792</u>	<u>2,143,845</u>
<b>FUND BALANCES</b>							
Unreserved	\$ 652,972	0	0	0	0	0	652,972
Unreserved special revenue funds	0	497,478	349,950	176,015	179,638	0	1,203,081
Unreserved reported in nonmajor funds	0	0	0	0	0	287,792	287,792
Total Fund Balances	<u>\$ 652,972</u>	<u>497,478</u>	<u>349,950</u>	<u>176,015</u>	<u>179,638</u>	<u>287,792</u>	<u>2,143,845</u>

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

Exhibit C-2

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

	General Fund	Special Road & Bridge Fund	Courthouse Restoration Fund	Emergency Enhanced 9-1-1 Fund	Health Center Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash	\$ 714,825	401,035	341,307	188,226	150,930	241,472	2,037,795
Total Assets	<u>\$ 714,825</u>	<u>401,035</u>	<u>341,307</u>	<u>188,226</u>	<u>150,930</u>	<u>241,472</u>	<u>2,037,795</u>
<b>FUND BALANCES</b>							
Unreserved	\$ 714,825	0	0	0	0	0	714,825
Unreserved special revenue funds	0	401,035	341,307	188,226	150,930	0	1,081,498
Unreserved reported in nonmajor funds	0	0	0	0	0	241,472	241,472
Total Fund Balances	<u>\$ 714,825</u>	<u>401,035</u>	<u>341,307</u>	<u>188,226</u>	<u>150,930</u>	<u>241,472</u>	<u>2,037,795</u>

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

Exhibit D-1

CARROLL COUNTY, MISSOURI  
 GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
 YEAR ENDED DECEMBER 31, 2006

	General Fund	Special Road & Bridge Fund	Courthouse Restoration Fund	Emergency Enhanced 9-1-1 Fund	Health Center Fund	Other Governmental Funds	Total Governmental Funds
<b>RECEIPTS</b>							
Property taxes	\$ 346,795	63,924	0	0	129,490	155,545	695,754
Sales and use taxes	464,713	0	0	465,240	0	0	929,953
Intergovernmental	175,211	1,464,758	0	0	168,637	177,618	1,986,224
Charges for services	296,336	22,567	0	0	15,683	53,954	388,540
Interest	35,530	19,262	12,983	2,706	6,670	12,919	90,070
Other	33,369	29,380	0	343	9,249	7,921	80,262
<b>Total Receipts</b>	<b>1,351,954</b>	<b>1,599,891</b>	<b>12,983</b>	<b>468,289</b>	<b>329,729</b>	<b>407,957</b>	<b>4,170,803</b>
<b>DISBURSEMENTS</b>							
General county government	951,648	0	4,340	0	0	180,486	1,136,474
Roads and bridges	0	1,468,445	0	0	0	0	1,468,445
Public safety	499,592	0	0	480,500	0	47,573	1,027,665
Health and welfare	0	0	0	0	301,021	127,535	428,556
Other	0	0	0	0	0	3,613	3,613
<b>Total Disbursements</b>	<b>1,451,240</b>	<b>1,468,445</b>	<b>4,340</b>	<b>480,500</b>	<b>301,021</b>	<b>359,207</b>	<b>4,064,753</b>
<b>EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>(99,286)</b>	<b>131,446</b>	<b>8,643</b>	<b>(12,211)</b>	<b>28,708</b>	<b>48,750</b>	<b>106,050</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	42,458	0	0	0	0	5,025	47,483
Transfers out	(5,025)	(35,003)	0	0	0	(7,455)	(47,483)
<b>Total Other Financing Sources (Uses)</b>	<b>37,433</b>	<b>(35,003)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,430)</b>	<b>0</b>
<b>NET CHANGE IN CASH BALANCES</b>	<b>(61,853)</b>	<b>96,443</b>	<b>8,643</b>	<b>(12,211)</b>	<b>28,708</b>	<b>46,320</b>	<b>106,050</b>
<b>CASH BALANCES, JANUARY 1</b>	<b>714,825</b>	<b>401,035</b>	<b>341,307</b>	<b>188,226</b>	<b>150,930</b>	<b>241,472</b>	<b>2,037,795</b>
<b>CASH BALANCES, DECEMBER 31</b>	<b>\$ 652,972</b>	<b>497,478</b>	<b>349,950</b>	<b>176,015</b>	<b>179,638</b>	<b>287,792</b>	<b>2,143,845</b>

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

Exhibit D-2

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

	General Fund	Special Road & Bridge Fund	Courthouse Restoration Fund	Emergency Enhanced 9-1-1 Fund	Health Center Fund	Other Governmental Funds	Total Governmental Funds
<b>RECEIPTS</b>							
Property taxes	\$ 336,826	63,539	0	0	128,068	154,049	682,482
Sales and use taxes	403,791	0	32	464,083	0	0	867,906
Intergovernmental	150,304	1,172,400	0	0	153,404	201,696	1,677,804
Charges for services	312,265	18,416	0	0	12,510	46,718	389,909
Interest	21,751	9,039	8,542	986	3,876	7,273	51,467
Other	12,988	35,390	0	655	11,037	5,667	65,737
<b>Total Receipts</b>	<b>1,237,925</b>	<b>1,298,784</b>	<b>8,574</b>	<b>465,724</b>	<b>308,895</b>	<b>415,403</b>	<b>3,735,305</b>
<b>DISBURSEMENTS</b>							
General county government	812,228	0	25,081	0	0	183,034	1,020,343
Roads and bridges	0	1,262,319	0	0	0	0	1,262,319
Public safety	427,720	0	47,356	366,568	0	62,892	904,536
Health and welfare	0	0	0	0	276,539	128,336	404,875
Other	0	0	0	0	0	14,480	14,480
<b>Total Disbursements</b>	<b>1,239,948</b>	<b>1,262,319</b>	<b>72,437</b>	<b>366,568</b>	<b>276,539</b>	<b>388,742</b>	<b>3,606,553</b>
<b>EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>(2,023)</b>	<b>36,465</b>	<b>(63,863)</b>	<b>99,156</b>	<b>32,356</b>	<b>26,661</b>	<b>128,752</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	43,619	0	0	0	0	1,001	44,620
Transfers out	(1,001)	(40,001)	(2,000)	0	0	(1,618)	(44,620)
<b>Total Other Financing Sources (Uses)</b>	<b>42,618</b>	<b>(40,001)</b>	<b>(2,000)</b>	<b>0</b>	<b>0</b>	<b>(617)</b>	<b>0</b>
<b>NET CHANGE IN CASH BALANCES</b>	<b>40,595</b>	<b>(3,536)</b>	<b>(65,863)</b>	<b>99,156</b>	<b>32,356</b>	<b>26,044</b>	<b>128,752</b>
<b>CASH BALANCES, JANUARY 1</b>	<b>674,230</b>	<b>404,571</b>	<b>407,170</b>	<b>89,070</b>	<b>118,574</b>	<b>215,428</b>	<b>1,909,043</b>
<b>CASH BALANCES, DECEMBER 31</b>	<b>\$ 714,825</b>	<b>401,035</b>	<b>341,307</b>	<b>188,226</b>	<b>150,930</b>	<b>241,472</b>	<b>2,037,795</b>

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

Exhibit E-1

CARROLL COUNTY, MISSOURI  
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
DECEMBER 31, 2006

ASSETS

Cash	\$	<u>1,520,187</u>
Total Assets		<u>1,520,187</u>

NET ASSETS

Restricted		1,520,187
Unrestricted		<u>0</u>
Total Net Assets	\$	<u><u>1,520,187</u></u>

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

Exhibit E-2

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

ASSETS

Cash	\$	<u>1,037,060</u>
Total Assets		<u>1,037,060</u>

NET ASSETS

Restricted		1,037,060
Unrestricted		<u>0</u>
Total Net Assets	\$	<u><u>1,037,060</u></u>

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

Notes to the Financial Statements

CARROLL COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

As Note 1.C. discusses further, the accompanying financial statements of Carroll 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 Carroll 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-type. Governmental activities generally are financed through taxes, intergovernmental receipts, and other nonexchange transactions. Business-type activities are financed wholly or partially by fees

charged to external parties for goods or services. For the years ended December 31, 2006 and 2005, 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.

Courthouse Restoration Fund: This fund accounts for sales tax collections that are legally restricted to disbursements for major improvements and/or restoration of the county courthouse and surrounding grounds.

Emergency Enhanced 9-1-1 Fund: This fund accounts for sales tax collections that are legally restricted to disbursements for implementing and operating an emergency response system.

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

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 Ex Officio County Collector's fund which has a fiscal year ending February 28 (29); 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 reported in the annual settlements filed throughout the years ended December 31, 2006 and 2005.

#### 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. The county applies restricted resources first when a disbursement is made for which both restricted and unrestricted net assets are available. Net assets are reported as restricted when limitations on their use are imposed either (1) by law through constitutional provisions or enabling legislation or (2) externally through restrictions by creditors, grantors, contributors, or other governments' laws and regulations. All other net assets are reported as unrestricted. Enabling legislation authorizes the county to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated by the legislation. At December 31, 2006 and 2005, net assets restricted by enabling legislation were \$1,490,873 and \$1,322,970, respectively, for governmental activities.

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 the computer equipment, and all office equipment within the building, statue of General Shields, road maintenance equipment, sheriff's office equipment, sheriff radio equipment and all county owned vehicles. 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. Introductory employees begin accruing vacation and sick leave from the first month of employment. County employees working a 35-hour work schedule may accrue vacation leave to a maximum of 210 hours (30 days), and employees working a 40-hour work schedule may accrue vacation leave to a maximum of 240 hours (30 days). Actual accrual of vacation leave is computed on a monthly basis according to the annual vacation leave due according to an employee's years of service. Full-time county employees accrue 10 days per year for 1 to 5 years of

service, 11 days per year for 6 years of service, 12 days per year for 7 years of service, 13 days per year for 8 years of service, 14 days per year for 9 years of service, and 15 days per year for 10 or more years of service. Vacation leave shall not accrue while the employee is absent from work without pay or is receiving benefits from a retirement system, long-term disability insurance, or Worker's Compensation. Introductory employees are not eligible for vacation leave pay, although vacation leave accrues from the first month of employment. All county employees shall be eligible to use accrued vacation leave after the completion of one year of employment.

Full-time employees in county service shall earn 1.25 days of sick leave monthly. A maximum of 15 days sick leave may be accumulated and taken per calendar year. Sick leave with pay will be granted for absence from duty because of actual personal illness, non-compensation bodily injury or disease, exposure to a contagious disease, or to keep a doctor or dentist appointment. Employees may use up to 3 days of leave each year for illness in the employee's immediate family whose principal residence is in the employee's household and for parents, even if not residing with the employee, provided no one else is available to care for the individual involved or for bereavement. Introductory employees are not eligible for sick leave pay, although sick leave accrues from the first month of employment. Full-time and part-time employees with benefits are eligible to receive sick leave pay only after they have successfully completed the 90-day introductory period.

Any overtime work which will result in a county employee covered under the provisions of the Fair Labor Standards Act accumulating compensatory time shall be compensated by payment at one and one half times the straight hourly equivalent rate for the employee's classification. Upon termination of employment, any county employee who has accumulated compensatory time off shall be paid for unused time at one of the following rates, whichever is higher: the average regular rate received by such employee during the last three years of employment times one and one half or the final regular rate received by such employee times one and one half. All county departments are encouraged to utilize compensatory time in lieu of paying overtime. The departments shall make every effort to avoid either by the proper scheduling of the employees.

All employees of the Carroll County E-911 Communications Center will be in a probationary status for the first 3 months of their employment. The probationary period may be extended at any time at the Director's discretion. Probationary employees shall not receive sick leave unless approved by the Director or Assistant Director. Full time employees are awarded ten days of sick leave each year. Sick leave is awarded as of January 1 of each year. Sick leave may be accumulated from one year to the next to a maximum of 30 days. Sick leave may be taken for an illness of disability involving the employee or a member of the employee's immediate family. Immediate family is defined as: spouse, child, mother, father, or other on a case by case basis as approved by the E-911 Director.

E-911 full-time employees are awarded forty hours of vacation during the first year in employment; eighty hours of vacation during the second year of employment and an additional four hours per year for every year following. Full-time employees are also awarded two unpaid personal leave days per year.

The Health Department provides personal leave or paid days off (PDO). Employees who are employed part-time or full time in positions of continuing or permanent nature are eligible to earn PDO. Unclassified employees do not accrue personal leave. Personal leave is only accrued by employees who work at least half time. The leave policy applies only to time worked at the health department and earned leave does not transfer if an employee is hired who has worked at another local or state public health agency. Personal leave balances will not be restored to former employees who are rehired.

Earned leave will be credited at the end of the month based on the number of hours the health department employee is in active pay status that includes hours worked, PDO hours and paid holidays. Full time employees accrue 20 hours of PDO per month for up to 10 years of service, 22 hours per month for 10 to 15 years of service, 24 hours per month for 15 to 20 years of service, 25 hours per month for 20-25 years of service, and 26 hours per month for more than 25 years of service. Part-time employees earn PDO on a sliding scale depending upon their hours in active pay status and their years of service. An employee hired after the 10<sup>th</sup> day of the month will not accrue PDO for that month. Full time employees may accumulate a maximum of 320 hours of PDO while part-time employees who work 4/5 time may accumulate a maximum of 256 hours and part-time employees who work 3/5 time may accumulate a maximum of 192 hours. An employee terminating employment for any reason will only be paid for half of their PDO.

Effective May 1, 2005, each health department regular employee shall have all accumulated sick leave placed in a sick leave bank. Each January 1, an employee may designate any accrued PDO time be placed in the sick leave bank up to a maximum of 480 hours. Extended sick leave can be used after one day of PDO taken for illness or injury a physician's statement may be required for use of extended sick leave when the employee has been absent for more than 5 consecutive personal leave days taken for illness or injury.

A health department employee may be granted time off, not chargeable to PDO, following the death of their spouse, child, sibling, parent, grandparent, grandchild or a member of the employee's household. Up to 3 days may be taken with administrative approval. In case of inclement weather or when the administrator chooses to close the health department, regularly scheduled employees will be paid for administrative leave. Every effort will be made to operate on a schedule regardless of weather. If an employee feels they must leave early, they may request PDO or leave without pay. Administrative leave will result in pay on a case by case basis.

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, 2006 and 2005, 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.

Statement No. 46, *Net Assets Restricted by Enabling Legislation*: This Statement, an amendment of Statement No. 34, clarifies the meaning of "legally enforceable" as applicable to restrictions imposed on net asset use by enabling legislation and specifies the accounting and financial reporting requirements for those restricted net assets.

## 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 depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the 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, Carroll 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 Center's, Senate Bill 40 Board's and Emergency Enhanced 9-1-1 Board's deposits at December 31, 2006 and 2005, and the Ex Officio County Collector's deposits at February 28, 2007 and 2006, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by the county's or board's custodial bank in the county's or the board's name.

### 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 2006 and 2005, 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 not adopted such a policy.

3. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for the county and most other local governments (except some cities). Collections by the county for other governments and remittances to those governments are accounted for in various County Treasurer and Ex Officio County Collector's agency funds.

4. Defined Benefit Pension Plan

Plan Description

Carroll 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

Contribution rates are set by statute. Before January 1, 2003, members, except for those who participated in the Local Government Employees Retirement System (LAGERS), were required to contribute 2 percent of their gross compensation. Effective January 1, 2003, all members hired on or after February 25, 2002, are subject to an additional 4 percent contribution, which can be paid by the county on behalf of its employees or by the employees. If an employee terminates employment before attaining 8 years of creditable service, the CERS refunds the accumulated contributions to the employee.

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 ended December 31, 2006, 2005, and 2004, were \$44,467, \$43,706, and \$43,303, respectively, equal to the required contributions for each year.

5. Defined Contribution and Deferred Compensation Plans

Plan Description

Carroll 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. Contributions of \$28,843 and \$23,976 were made during the years ended December 31, 2006 and 2005, respectively. Participation in the deferred compensation plan is voluntary, and the employee elects the contribution level, subject to the limitations of IRC Sections 401(a) and 457. The CERS Board of Directors decides if matching contributions from the pension plan trust funds for a calendar year will be made to the defined contribution plan accounts of those who participated in the deferred compensation plan. The amount of any matching contribution is determined by the Board and is limited to 50 percent of a non-LAGERS member's (25 percent of a LAGERS member's) voluntary contributions to the deferred compensation plan, up to 3 percent of the non-LAGERS member's (1.5 percent of the LAGERS member's) compensation. Matching contributions for the years ended December 31, 2006 and 2005, were \$7,091 and \$6,295, 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.

6. 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, 2006		
Transfers In:		
	General Fund	Nonmajor Governmental Funds
Transfers Out:		
General Fund	\$ -0-	5,025
Special Road and Bridge Fund	35,003	-0-
Nonmajor Governmental Funds	7,455	-0-

Year Ended December 31, 2005		
Transfers In:		
	General Fund	Nonmajor Governmental Funds
Transfers Out:		
General Fund	\$ -0-	1,001
Special Road and Bridge Fund	40,001	-0-
Courthouse Restoration Fund	2,000	-0-
Nonmajor Governmental Funds	1,618	-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.

7. Prior Period Adjustments

The Emergency Enhanced 9-1-1 Fund's cash balance at January 1, 2005, of \$89,070 was not previously reported but has been added to the financial statements as a major fund.

8. 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. No significant reductions in coverage were made since December 31, 2004, and settlements have not exceeded coverage in the past 3 years.

The county participates 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.

9. Commitments and Contingencies

A. Contracts

The county entered in a lease-purchase agreement of \$125,300 for the purchase of a Hyundai excavator in 2006. Fifteen quarterly payments of \$9,299 will be made, ending April 2010. The remaining principal at December 31, 2006 is \$110,182.

In 2004, the county entered into an agreement with the Department of Natural Resources for an energy loan of \$32,340 for new windows in the county courthouse. The remaining principal at December 31, 2006 is \$20,809.

B. Litigation

As of December 31, 2006, the county's legal counsel indicated a potential claim against the county. This instance involves cost of living adjustments. The potential liability to the county cannot be determined at this time.

10. Joint Venture

The county, in conjunction with the town of Carrollton, the Carrollton Municipal Utilities, and the Carrollton Area Chamber of Commerce, has created the Carroll County Economic Development Board to provide economic development services to the county. As provided for by contract terms, the governing board is composed of two representatives from each entity plus a financial institution representative. Carroll County provided \$12,500 to the Carroll County Economic Development Board in both 2006 and 2005.

Required Supplementary Information

Schedule 1

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

	Year Ended December 31,							
	2006				2005			
	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)
<b>GENERAL REVENUE FUND</b>								
<b>RECEIPTS</b>								
Property taxes	\$ 339,000	339,000	346,795	7,795	333,000	333,000	336,826	3,826
Sales taxes	406,000	406,000	464,713	58,713	375,000	375,000	403,791	28,791
Intergovernmental	203,816	203,816	175,211	(28,605)	158,308	158,308	150,304	(8,004)
Charges for service	298,417	298,417	296,336	(2,081)	340,150	340,150	312,265	(27,885)
Interest	20,000	20,000	35,530	15,530	10,000	10,000	21,751	11,751
Other	7,150	7,150	33,369	26,219	6,532	6,532	12,988	6,456
Transfers in	41,363	41,363	42,458	1,095	43,205	43,205	43,619	414
<b>Total Receipts</b>	<b>1,315,746</b>	<b>1,315,746</b>	<b>1,394,412</b>	<b>78,666</b>	<b>1,266,195</b>	<b>1,266,195</b>	<b>1,281,544</b>	<b>15,349</b>
<b>DISBURSEMENTS</b>								
County Commission	127,778	127,778	125,294	2,484	141,093	141,093	122,538	18,555
County Clerk	124,133	124,133	113,634	10,499	103,595	103,595	96,259	7,336
Elections	360,055	360,055	221,973	138,082	183,491	183,491	128,593	54,898
Buildings and grounds	90,633	90,633	76,271	14,362	81,707	81,707	72,687	9,020
Employee fringe benefits	199,250	199,250	193,650	5,600	200,850	200,850	180,296	20,554
County Treasurer and Ex Officio Collector	81,805	81,805	80,236	1,569	75,122	75,122	74,621	501
Circuit Clerk and Ex Officio Recorder of Deeds	28,018	28,018	26,689	1,329	26,155	26,155	25,548	607
Associate Circuit (Probate)	10,525	10,525	8,835	1,690	8,550	8,550	7,663	887
Court administration	3,125	3,125	929	2,196	3,125	3,125	1,821	1,304
Public Administrator	26,480	26,480	32,171	(5,691)	40,275	40,275	37,802	2,473
Insurance and Bonds	21,500	21,500	39,025	(17,525)	30,000	30,000	35,735	(5,735)
Planning & Zoning	9,649	9,649	10,532	(883)	4,867	4,867	5,676	(809)
University Extension	40,500	40,500	21,500	19,000	21,500	21,500	21,500	0
Sheriff	281,416	281,416	266,692	14,724	239,103	239,103	230,739	8,364
Jail	116,849	116,849	120,332	(3,483)	125,118	125,118	104,945	20,173
Prosecuting Attorney	102,438	102,438	93,717	8,721	88,679	88,679	74,137	14,542
Juvenile Officer	13,982	13,982	5,015	8,967	13,982	13,982	4,789	9,193
County Coroner	14,821	14,821	13,836	985	13,899	13,899	13,110	789
Other	1,450	1,450	909	541	1,450	1,450	1,489	(39)
Transfers out	3,500	3,500	5,025	(1,525)	500	500	1,001	(501)
Emergency Fund	38,300	38,300	0	38,300	37,986	37,986	0	37,986
<b>Total Disbursements</b>	<b>1,696,207</b>	<b>1,696,207</b>	<b>1,456,265</b>	<b>239,942</b>	<b>1,441,047</b>	<b>1,441,047</b>	<b>1,240,949</b>	<b>200,098</b>
Net Change in Cash Balances	(380,461)	(380,461)	(61,853)	318,608	(174,852)	(174,852)	40,595	215,447
CASH BALANCE, JANUARY 1	714,825	714,825	714,825	0	674,230	674,230	674,230	0
CASH BALANCE, DECEMBER 31	\$ 334,364	\$ 334,364	\$ 652,972	\$ 318,608	\$ 499,378	\$ 499,378	\$ 714,825	\$ 215,447

Schedule 1

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

	Year Ended December 31,							
	2006				2005			
	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)
<b><u>SPECIAL ROAD &amp; BRIDGE FUND</u></b>								
<b>RECEIPTS</b>								
Property taxes	\$ 63,500	63,500	63,924	424	62,850	62,850	63,539	689
Intergovernmental	1,599,722	1,599,722	1,464,758	(134,964)	1,625,800	1,625,800	1,172,400	(453,400)
Charges for service	18,400	18,400	22,567	4,167	18,000	18,000	18,416	416
Interest	14,000	14,000	19,262	5,262	7,000	7,000	9,039	2,039
Other	0	0	29,380	29,380	30,000	30,000	35,390	5,390
<b>Total Receipts</b>	<b>1,695,622</b>	<b>1,695,622</b>	<b>1,599,891</b>	<b>(95,731)</b>	<b>1,743,650</b>	<b>1,743,650</b>	<b>1,298,784</b>	<b>(444,866)</b>
<b>DISBURSEMENTS</b>								
Salaries of employees	162,958	162,958	139,514	23,444	149,558	149,558	140,248	9,310
Fringe benefits	56,682	56,682	48,177	8,505	55,971	55,971	48,919	7,052
Office supplies	2,310	2,310	1,869	441	3,080	3,080	2,161	919
Insurance	13,000	13,000	12,548	452	24,000	24,000	12,073	11,927
Road & bridge materials	297,050	297,050	285,810	11,240	338,855	338,855	346,051	(7,196)
Equipment repairs & rentals	68,400	68,400	93,832	(25,432)	58,850	58,850	75,495	(16,645)
Road & bridge construction	1,040,000	1,040,000	879,248	160,752	1,031,960	1,031,960	623,308	408,652
Other expenditures	6,080	6,080	7,447	(1,367)	25,000	25,000	14,064	10,936
Transfers out	35,000	35,000	35,003	(3)	40,000	40,000	40,001	(1)
<b>Total Disbursements</b>	<b>1,681,480</b>	<b>1,681,480</b>	<b>1,503,448</b>	<b>178,032</b>	<b>1,727,274</b>	<b>1,727,274</b>	<b>1,302,320</b>	<b>424,954</b>
Net Change in Cash Balances	14,142	14,142	96,443	82,301	16,376	16,376	(3,536)	(19,912)
CASH BALANCE, JANUARY 1	401,035	401,035	401,035	0	404,571	404,571	404,571	0
CASH BALANCE, DECEMBER 31	\$ 415,177	\$ 415,177	\$ 497,478	\$ 82,301	\$ 420,947	\$ 420,947	\$ 401,035	\$ (19,912)
<b><u>COURTHOUSE RESTORATION FUND</u></b>								
<b>RECEIPTS</b>								
Sales taxes	\$ 0	0	0	0	0	0	32	32
Interest	8,000	8,000	12,983	4,983	1,000	1,000	8,542	7,542
<b>Total Receipts</b>	<b>8,000</b>	<b>8,000</b>	<b>12,983</b>	<b>4,983</b>	<b>1,000</b>	<b>1,000</b>	<b>8,574</b>	<b>7,574</b>
<b>DISBURSEMENTS</b>								
Courthouse renovation project	200,000	200,000	4,104	195,896	151,000	151,000	23,269	127,731
Jail renovation project	0	0	0	0	49,000	49,000	47,356	1,644
Miscellaneous	2,000	2,000	236	1,764	1,069	1,069	1,812	(743)
Transfers out	0	0	0	0	2,000	2,000	2,000	0
<b>Total Disbursements</b>	<b>202,000</b>	<b>202,000</b>	<b>4,340</b>	<b>197,660</b>	<b>203,069</b>	<b>203,069</b>	<b>74,437</b>	<b>128,632</b>
Net Change in Cash Balances	(194,000)	(194,000)	8,643	202,643	(202,069)	(202,069)	(65,863)	136,206
CASH BALANCE, JANUARY 1	341,307	341,307	341,307	0	407,170	407,170	407,170	0
CASH BALANCE, DECEMBER 31	\$ 147,307	\$ 147,307	\$ 349,950	\$ 202,643	\$ 205,101	\$ 205,101	\$ 341,307	\$ 136,206

Schedule 1

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

	Year Ended December 31,							
	2006				2005			
	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)
<b><u>EMERGENCY ENHANCED 9-1-1 FUND</u></b>								
<b>RECEIPTS</b>								
Sales taxes	\$ 470,000	470,000	465,240	(4,760)	459,120	459,120	464,083	4,963
Interest	1,550	1,550	2,706	1,156	800	800	986	186
Other	0	0	343	343	80	80	655	575
Total Receipts	471,550	471,550	468,289	(3,261)	460,000	460,000	465,724	5,724
<b>DISBURSEMENTS</b>								
Computer software maintenance	4,650	4,650	4,650	0	4,025	4,025	4,650	(625)
Road signs	1,500	1,500	1,419	81	1,500	1,500	812	688
Office /radio equipment	78,000	78,000	81,739	(3,739)	15,938	15,938	15,759	179
Insurance	6,900	6,900	6,815	85	6,900	6,900	6,859	41
Personnel	287,000	287,000	326,175	(39,175)	267,223	267,223	277,751	(10,528)
Phone charges	24,000	24,000	22,946	1,054	24,000	24,000	22,311	1,689
Office utilities	32,000	32,000	29,187	2,813	20,197	20,197	30,397	(10,200)
Miscellaneous	10,000	10,000	7,569	2,431	10,165	10,165	8,029	2,136
Total Disbursements	444,050	444,050	480,500	(36,450)	349,948	349,948	366,568	(16,620)
Net Change in Cash Balances	27,500	27,500	(12,211)	(39,711)	110,052	110,052	99,156	(10,896)
CASH BALANCE, JANUARY 1	163,558	163,558	188,226	24,668	86,052	86,052	89,070	3,018
CASH BALANCE, DECEMBER 31	\$ 191,058	191,058	176,015	(15,043)	196,104	196,104	188,226	(7,878)
<b><u>HEALTH CENTER FUND</u></b>								
<b>RECEIPTS</b>								
Property taxes	\$ 127,745	127,745	129,490	1,745	125,643	125,643	128,068	2,425
Intergovernmental	159,765	159,765	168,637	8,872	151,492	151,492	153,404	1,912
Charges for service	13,000	13,000	15,683	2,683	13,000	13,000	12,510	(490)
Interest	4,500	4,500	6,670	2,170	3,000	3,000	3,876	876
Other	10,850	10,850	9,249	(1,601)	8,700	8,700	11,037	2,337
Total Receipts	315,860	315,860	329,729	13,869	301,835	301,835	308,895	7,060
<b>DISBURSEMENTS</b>								
Payroll	227,911	227,911	219,629	8,282	220,436	220,436	206,350	14,086
Equipment	500	500	3,964	(3,464)	5,000	5,000	5,205	(205)
Office supplies	1,500	1,500	1,112	388	1,500	1,500	1,545	(45)
Other	85,949	85,949	76,316	9,633	74,899	74,899	63,439	11,460
Total Disbursements	315,860	315,860	301,021	14,839	301,835	301,835	276,539	25,296
Net Change in Cash Balances	0	0	28,708	28,708	0	0	32,356	32,356
CASH BALANCE, JANUARY 1	150,930	150,930	150,930	0	118,574	118,574	118,574	0
CASH BALANCE, DECEMBER 31	\$ 150,930	150,930	179,638	28,708	118,574	118,574	150,930	32,356

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

Note to the Required Supplementary Information

CARROLL 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.

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the Emergency Enhanced 9-1-1 Fund in 2006 and 2005.

Other Supplementary Information

Schedule 2

CARROLL COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2006	2005
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state				
Department of Social Services -				
10.550	Food Donation	N/A	\$ 583	763
Department of Health and Senior Services -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-7116 ERS045-6116	23,788 3,636	0 28,886
	Program Total		<u>27,424</u>	<u>28,886</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state Department of Social Services:				
14.231	Emergency Shelter Grants Program	ERO-1640625 ERO-1640670	0 15,000	14,799 0
	Program Total		<u>15,000</u>	<u>14,799</u>
U.S. DEPARTMENT OF JUSTICE				
Passed through state Department of Public Safety				
16.554	National Criminal History Improvement Program	2004-30161-MO-RU	3,259	0
16.575	Crime Victim Assistance	2003VOCA0103	6,862	1,948
16.592	Local Law Enforcement Block Grants Program	2004-LBG-1009	9,000	9,000
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state				
Highway and Transportation Commission				
20.205	Highway Planning and Construction	BRO-017(39) BRO-017(40) BRO-017(42) BRO-017(43) BRO-017(44) BRO-017(45) BRO-017(46) BRO-017(47)	0 119 0 365,032 270,302 12,619 30,404 18,299	20,862 10,554 226,024 30,071 0 12,089 3,596 2,260
	Program Total		<u>696,775</u>	<u>305,456</u>

Schedule 2

CARROLL COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2006	2005
	Department of Public Safety			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grant	N/A	1,734	1,814
	GENERAL SERVICES ADMINISTRATION			
	Passed through state			
	Office of Administration			
39.003	Donation of Federal Surplus Personal Property	N/A	296	113
	Office of Secretary of State			
39.011	Election Reform Payment	HAVA2002FED	14,722	83,592
	ELECTIONS ASSISTANCE COMMISSION			
	Passed through state Office of Secretary of State			
90.401	Help America Vote Act Requirements Payment	HAVA2002FED	103,960	10,672
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state			
	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	ERS146-6116L	1,498	1,500
93.268	Immunization Grants	N/A	42,788	23,918
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	ERS1466116C AOCO6380169 DH060031010	628 3,500 1,517	211 3,500 0
	Program Total		<u>5,645</u>	<u>3,711</u>
	Department of Social Services -			
93.563	Child Support Enforcement	N/A	10,477	7,856
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Grant	PGA067-6116C	1,400	1,344

Schedule 2

CARROLL COUNTY, MISSOURI  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2006	2005
	Office of Secretary of State -			
93.617	Voting Access for Individuals With Disabilities Grants to States	HAVA2002FED	4,468	750
	Department of Health and Senior Services			
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-4116M	17,713	17,873
U.S. DEPARTMENT OF HOMELAND SECURITY				
	Passed through state Department of Public Safety			
97.004	State Domestic Preparedness Equipment Support Program	2003MUT30003	0	15,339
97.067	Homeland Security Grant Program	2005-GE-T5-002	32,000	0
	Total Expenditures of Federal Award:		\$ <u>995,604</u>	<u>529,334</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

CARROLL 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 Carroll 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 Food Donation Program (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services. Amounts for 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 Homeland Security Grant Program

(CFDA number 97.067) represent the original acquisition cost of the equipment received.

Amounts for Immunization Grants (CFDA number 93.268) includes 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

Of the federal expenditures presented in the schedule, the county provided \$15,000 and \$14,799 to a subrecipient under the Emergency Shelter Grants Program (CFDA number 14.231) during the years ended December 31, 2006 and 2005, respectively.

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 Carroll County, Missouri

Compliance

We have audited the compliance of Carroll 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 its major federal program for the years ended December 31, 2006 and 2005. The county's major federal program is 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 its major federal program 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, Carroll County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2006 and 2005.

## Internal Control Over Compliance

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

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control.

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

This report is intended for the information and use of the management of Carroll 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

October 16, 2007

Schedule

CARROLL COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 2006 AND 2005

**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   x   no
- Significant deficiencies identified that are not considered to be material weaknesses?        yes   x   none reported

Noncompliance material to the financial statements noted?        yes   x   no

Federal Awards

Internal control over major program:

- Material weaknesses identified?        yes   x   no
- Significant deficiencies identified that are not considered to be material weaknesses?        yes   x   none reported

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?        yes   x   no

Identification of major program:

CFDA or Other Identifying <u>Number</u>	<u>Program Title</u>
20.205	Highway Planning and Construction

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 no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

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

CARROLL 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, 2004, 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

CARROLL 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, 2004, 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

CARROLL 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 Carroll County, Missouri, as of and for the years ended December 31, 2006 and 2005, which collectively comprise the county's basic financial statements, and have issued our report thereon dated October 16, 2007. We also have audited the compliance of Carroll 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 its major federal programs for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 16, 2007.

This Management Advisory Report (MAR) includes 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 Carroll County its compliance with the types of compliance requirements applicable to its major federal program 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*. Carroll County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

<b>1.</b>	<b>County Funds</b>
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Various fees, which are restricted by law for certain purposes, are being incorrectly deposited into the General Revenue Fund. Law Enforcement Training Fund (LET) monies were used for expenses not related to training.

- A. During 2005 and 2006, at least \$13,500 in civil fees collected by the Sheriff's office were incorrectly deposited into the county's General Revenue (GR) Fund rather than the Special Sheriff Fund, which was specifically established to account for these fees. This occurred because transmittal reports from the Sheriff's office to the County Treasurer did not clearly identify which monies represented civil service fees for deposit into the Special Sheriff Fund. As a result, the county cannot readily identify the balance of these monies available or demonstrate that the use relates to the operation of the sheriff's office and complies with statutory provisions. It is possible similar incorrect deposits may have occurred prior to the audit period. Section 57.280, RSMo, requires counties to account for these fees separately and to ensure that the proceeds are spent on law enforcement purposes.

During 2005 and 2006, the Ex Officio Recorder of Deeds collected approximately \$5,862 in fees as required under Section 59.800, RSMo to be used for the purchase, installation, upgrade and maintenance of technology in the recorder's office. These fees were incorrectly deposited into the county's GR Fund rather than the Recorder's

Preservation Fund as provided by law. A fund established specifically for these fees in 2001 was closed in 2002 and the balance of approximately \$1,076 was transferred to the GR Fund. It appears these fees have been regularly deposited into the GR Fund since that time. As a result, the county cannot readily identify the balance of these monies available or demonstrate that the use relates to the technology in the recorder's office and complies with statutory provisions.

The county should work with the Sheriff and Ex Officio Recorder of Deeds to determine the amount of fees incorrectly deposited and/or fees still being held in the GR Fund and consider transferring those monies to the Special Sheriff Fund and Recorder's Preservation Fund as appropriate.

- B. Law Enforcement Training (LET) funds were used to pay the 2005 membership dues to the North Central Drug Task Force of \$3,000. The county provided no documentation on how these monies were used for training. Section 488.5336.2, RSMo, restricts LET Fund expenditures to disbursements for law enforcement training only.

**WE RECOMMEND** the County Commission:

- A. Work with applicable officials and determine the amounts of restricted fees being held within GR and transfer those amounts to applicable funds.
- B. Ensure LET funds are expended in accordance with state law. In addition, consideration should be given to reimbursing the LET Fund from either the GR Fund or the Special Sheriff Fund as appropriate.

**AUDITEE'S RESPONSE**

*The County Commission indicated:*

- A. *They are working with applicable officials to determine the amounts to transfer.*
- B. *They are working with the Sheriff to ensure that LET funds are expended as allowed and to ensure the LET Fund is reimbursed as appropriate.*

<b>2. Assessor's Accounting Controls and Procedures</b>
---

Receipting and transmittal procedures are inadequate and provide little assurance that all monies collected by the Assessor's office are properly handled and accounted for, and some receipt records could not be located. The Assessor's office receives monies for maps, photocopies, and city assessment books. Amounts transmitted to the County Treasurer totaled approximately \$1,800 and \$2,500 for 2006 and 2005, respectively.

A review of available receipt books, transmittal reports, and County Treasurer records identified several discrepancies and procedural problems. A receipt slip for \$52 issued in March 2006 could not be traced to a transmittal report and it appears it was not included in

County Treasurer's receipt records. Also, the August 2006 turnover amount recorded in the County Treasurer's receipt records included \$27 more than was reflected in the Assessor's receipt book or transmittal report. A July 24, 2007, cash count further determined that checks are not always restrictively endorsed and some monies are not receipted. In addition, one check on hand at the time of the cash count was not receipted. Subsequent to the cash count this check could not be located by the Assessor's office.

Records did not provide sufficient details. For example, receipt slips did not always indicate the method of payment and transmittal reports did not include receipt slip numbers. The top copy of several receipt slips was missing although the carbon copy was blank. In addition, a receipt book including transactions during the period August 2005 to February 2006 could not be located.

To ensure monies are properly accounted for, pre-numbered receipt slips indicating the method of payment should be issued for all monies received, checks should be restrictively endorsed immediately upon receipt, monies should be transmitted intact, and the composition of receipt slips issued should be reconciled to the composition of transmittals to the County Treasurer. In addition, record retention is necessary to ensure the validity of transactions and provide an audit trail.

**WE RECOMMEND** the Assessor improve receipting and transmittal procedures, follow up on discrepancies, and retain financial records in a secure location to prevent misplacement or loss.

### **AUDITEE'S RESPONSE**

*The Assessor indicated this recommendation has been implemented.*

<b>3. Sheriff's Accounting Controls and Procedures</b>
--

Accounting duties within the Sheriff's office are not adequately segregated. Records and procedures related to bank reconciliations, month-end disbursements, and monitoring bank account balances need improvement. The Sheriff's office processed monies for civil and criminal fees, gun permits, bonds, and other miscellaneous receipts totaling approximately \$99,000 and \$152,000 during 2006 and 2005, respectively. Also, the county's procedures for monitoring board of prisoner billings are not sufficient.

- A. The duties of receiving, recording, depositing, and disbursing monies are not adequately segregated. The office manager primarily performs all of these duties. The Sheriff indicated he reviews the receipt and disbursement reports, but these reviews are not documented. The chief deputy reviews bank statements and initials and dates to signify this review. However, these reviews are not particularly effective since there is no comparison of information to supporting records, no reconciliation of the receipt records to deposits, or no review of the bank reconciliation.

Internal controls would be improved by proper segregation of duties. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory or independent reviews of the records should be performed and documented.

- B.1. The office manager indicated bank reconciliations are performed using the computer software package; however, the bank reconciliations are not printed and retained. At our request, the office manager documented the May 2007 bank reconciliations for each of the two bank accounts. The fee account reconciliation showed a \$132 deposit in transit from July 2004, which was primarily related to a \$129 deposit error into the inmate account. The inmate account reconciliation showed a \$402 adjustment comprised of several unexplained adjustments made to the accounting system.

Discrepancies identified during the monthly bank reconciliation process should be followed up on and resolved. Without proper reconciliations and follow up, there is less assurance that cash receipts and disbursements have been properly handled and recorded.

2. The Sheriff does not have procedures to ensure all monies received are disbursed. Monies received by the Sheriff, which includes cash bonds and accountable fees, are normally disbursed at each month-end and the Sheriff's fee bank account should zero out. However, the reconciled fee account balance on December 31, 2006, was approximately \$7,000, of which \$5,889 was unidentified.

The Sheriff should adopt procedures to reconcile all receipts and deposits to amounts disbursed to ensure the bank account zeroes out each month, or if any receipts cannot be disbursed at the end of the month, these amounts should be identified and reconciled to the bank balances. Any unidentified amounts in the bank account should be investigated and resolved. Various statutory provisions, including Sections 447.500 through 447.595, RSMo, provide for the disposition of unclaimed monies.

- C. The Sheriff's office houses prisoners for other political subdivisions in the county jail and bills the various other entities for these services. Payments are made directly to the County Treasurer. The Sheriff's office does not have a procedure or maintain a log to track billings and payments received. Although the County Treasurer provides the Sheriff's office with a copy of the related receipt slips, however, these are not compared to the billing statements to ensure proper amounts were paid and to identify unpaid amounts.

A comparison of Sheriff's office billing statements for 2006 and 2005, which totaled approximately \$13,483, to the County Treasurer's receipt records identified approximately \$445 in board of prisoner billings still due to the county. The Sheriff's office manager was unaware of, but plans to follow up on these unpaid amounts.

A record of amounts billed to and collected from the various entities should be used to monitor amounts due and to ensure all outstanding amounts are received in a timely manner. Treasurer's receipt slips should be used to update billing records and ensure proper amounts were paid.

**WE RECOMMEND** the Sheriff:

- A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory or independent reviews are performed and documented.
- B.1. Ensure proper month end reconciliations are performed and documented, and any discrepancies resolved timely.
  - 2. Ensure all receipts are disbursed and the balance of the bank account zeroes out at the end of each month. Any receipts that cannot be disbursed by the end of the month should be documented and reconciled to the bank balance. Amounts which cannot be identified should be investigated, and any monies remaining unclaimed should be disposed of in accordance with state law.
- C. Establish records and procedures to monitor board of prisoner billings and follow up on delinquent amounts.

**AUDITEE'S RESPONSE**

*The Sheriff indicated:*

- A. *The various records and reconciliations will be reviewed more closely.*
- B.1. *This recommendation has been implemented.*
  - 2. *They are making sure current activity zeros out. However, they are still working on resolving old monies.*
- C. *This recommendation has been implemented.*

<b>4. Circuit Clerk's Accounting Controls and Procedures</b>
--

Circuit Court procedures related to manual receipt slips and accounts receivable need improvement. The Circuit Court processed civil and criminal case fees, fines, and bonds totaling approximately \$605,000 and \$241,000 during 2006 and 2005, respectively.

- A. Payments received in the mail are recorded directly into the Justice Information system (JIS). However, unofficial pre-numbered manual receipt slips are issued to all walk-in payors. These manual receipt slips were single copy receipts given to the payor. No carbon copy or other record of the manual receipt slips issued is maintained by the court.

To adequately safeguard receipts and the risk of loss, theft, or misuse of funds, official prenumbered duplicate receipt slips should be issued for walk-in payments and procedures should be established to account for manual receipt slips and verify the receipts have been recorded on the JIS and deposited. The use of manual receipt slips should be limited to those occasions where the JIS computer system is not available.

- B. Section 221.105, RSMo, allows for the reimbursement of certain costs in criminal cases where the state has been rendered liable. The Sheriff is to certify the number of prisoner incarceration days and the Circuit Clerk is responsible for preparing and submitting cost bills to the state for reimbursement. The revenue generated by these billings is received by the county. Section 33.120, RSMo, requires all such bills to be submitted to the state's Office of Administration within two years of the date of judgment and sentence.

Although allowed by statutory provisions, the Circuit Clerk does not submit criminal cost billings to the state for incarceration costs related to defendants where the court retained the option of granting probation to the defendant after 120 days pursuant to Section 559.115, RSMo. Rather, she relies on the probation officer to enforce collection and payment to the county by the defendant. Alternatively, the Circuit Clerk could bill the state for the costs initially and then make reimbursements in those cases where the county successfully collects from the defendant. By doing this the county has more assurance that legitimate costs are reimbursed and on a more timely basis.

A listing of accrued costs owed to the court is maintained in the Circuit Clerk's JIS computer system and some cases were selected for review from the August 16, 2007, listing. Four of ten cases reviewed involved billable incarceration costs of approximately \$12,100, but the two-year time limit has been surpassed and the amounts not billed. As a result, these costs cannot be billed to the state and the related revenues, if not successfully collected from the defendant, have been lost to the county. In fact, for two of the cases reviewed, with billable costs totaling approximately \$6,700, collection is unlikely since one defendant is deceased and the other has been deported.

To ensure that revenues are maximized, the Circuit Clerk should implement procedures to track all reimbursable incarceration costs and submit timely reimbursement claims to the state.

**WE RECOMMEND** the Circuit Clerk:

- A. Ensure manual receipt slips are recorded on the JIS and properly accounted for. In addition, official pre-numbered manual receipt slips should be obtained and used only when necessary.

- B. Ensure all billable criminal costs are billed to the state on a timely basis.

**AUDITEE'S RESPONSE**

*The Circuit Clerk indicated:*

- A. *They will continue to issue manual receipt slips for all walk-in payments; however, they are now using official pre-numbered receipt slips and are retaining the carbon copy. The corresponding JIS receipt number will be noted on manual receipts when the information is entered into the computer system.*
- B. *This recommendation has been implemented.*

<b>5. Prosecuting Attorney's Accounting Controls and Procedures</b>
---

Accounting duties are not properly segregated and receipt records for partial payments are not sufficient. The Prosecuting Attorney processed bad check fees and restitution totaling approximately \$49,800 and \$60,000 during 2006 and 2005, respectively.

- A. Cash custody and recordkeeping duties are not adequately segregated. One of the Prosecuting Attorney's two clerks has primary responsibility for collecting monies, recording transactions, preparing deposits and transmittals, making disbursements, and performing month-end reconciliations and reports. While the Prosecuting Attorney does review the bank reconciliation summary and month-end reports, some of the reviews are not documented and there is no comparison to the detailed supporting records.

Internal controls would be improved by proper segregation of duties. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory or independent reviews of the records should be performed and documented.

- B. Prenumbered receipt slips are not issued for partial payments until the final payment is received. While all payments are included on a manual receipt log, receipt slip numbers are not posted to the log. As a result, receipt slips are not properly accounted for and there is less assurance that all monies received are properly disbursed.

To adequately account for all receipts, pre-numbered receipt slips should be issued for all monies received and the numerical sequence accounted for properly on the manual receipt log.

**WE RECOMMEND** the Prosecuting Attorney:

- A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

- B. Require prenumbered receipt slips be issued for all monies received and ensure the numerical sequence of receipt slips is accounted for on the manual receipt log.

**AUDITEE'S RESPONSE**

*The Prosecuting Attorney indicated:*

*A&B. These recommendations have been implemented.*

**6. Emergency 911 Board Policies and Procedures**

Documentation and policies related to some expenditures and reimbursements were not sufficient, and some purchases appeared unnecessary. Problems were identified with the budgetary procedures and various financial and payroll reporting. Property records and procedures are not adequate. The E-911 Board receives approximately \$467,000 annually in sales taxes and interest.

- A. Our review of board expenditures identified the following concerns:
1. The board does not require documentation of receipt of goods or services prior to paying invoices. Because the director is responsible for daily operations and goods or services received, and the Board Treasurer is responsible for preparing accounts payable checks, it is important that the director provide evidence on the invoices that payment should be made. Documenting the receipt of goods or services on invoices provides the Board assurance it is paying for actual goods and services received and approved by the applicable party.
  2. The board's procedures manual does not contain travel and expense reimbursement policies and sufficient details are not provided on employee mileage/meals expense reimbursement claims submitted by employees. Several employee claim forms reviewed provided only the date and total miles driven, and no information regarding destination and purpose. It appears these forms were completed by the director and the employees do not sign and date the forms to demonstrate their agreement and representation that expenses are valid. While the director's claim forms provided some information regarding purpose and destination, some entries were vague and there were no agendas or details provided regarding meetings and conferences attended.
  3. The board treasurer receives a mileage reimbursement of \$100 per month without being required to submit any supporting documentation. Internal Revenue Service Regulations 1.62-2(h) and 31.3401(a)-4(b) specifically require employee business expenses not accounted for to the employer to be considered gross income and payroll taxes to be withheld from the undocumented payments. Therefore, these allowances should be considered

gross income to the employees. Alternatively, the board could require the treasurer to submit documentation of actual miles as they are incurred.

4. During 2005 and 2006, the board spent a total of \$856 for Christmas dinners, sponsorship for a team participating in the American Cancer Society's Relay for Life, and appreciation dinners and gifts for the dispatchers. These disbursements do not appear necessary for the operation of the E-911 system. The board has a fiduciary responsibility to ensure all disbursements are a prudent use of public funds and are necessary for E-911 operations.

- B. Certificate of deposit (CD) purchases were incorrectly presented as capital improvement fund expenditures on the budget, CD balances (principal and accrued interest) were incorrectly included in Other Net Resources Available rather than as part of the cash balance on the budget summary, and interest earned on CDs is not recorded as receipts in the accounting records or on the budget. As a result, the board's budget documents presented overstated expenditures and understated revenues and cash balances, and CD information cannot be clearly identified. In addition, the board treasurer does not generally include CD information on monthly reports presented to the board.

In addition, actual expenditures exceeded budgeted amounts by \$36,450 and \$16,620 in 2006 and 2005, respectively.

For the budget documents to be of maximum assistance as a planning tool and to adequately inform county residents of the current financial position and operations, the budgets should accurately reflect cash and available resources, and present reasonable estimates of receipts and disbursements. Also, case law provides strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements, 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 ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year.

- C. Records and procedures used to account for capital assets need improvement. Property items are not properly numbered, tagged, or otherwise identified as property of the E-911 board and periodic physical inventories are not performed. Although the director maintains a list of capital assets, it does not appear to be complete. For example, a dispatcher workstation valued at approximately \$60,417 was not recorded on the list.

Adequate capital asset records and monitoring procedures are necessary to provide adequate internal controls over board property. The comparison of periodic inventories to overall capital asset records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of

assets. Procedures to promptly identify, tag, and insure new capital assets are necessary to properly protect board assets.

- D. A time sheet is not prepared by the E-911 director. While time cards are prepared by dispatchers, they are not signed by the employees. In addition, time cards are not signed by the E-911 director to document approval. Time records are necessary to document hours actually worked, substantiate payroll expenditures, and provide the board with a method to monitor hours worked. Time records should be signed by all employees, verified for accuracy, and approved by the applicable supervisor.
- E. The board does not publish annual financial statements and file them with the State Auditor's Office as required by Sections 50.800 and 50.810, RSMo. To adequately inform the citizens of the board's financial activities and comply with state law, the board should work with the county to ensure annual financial statements of the Emergency Enhanced 9-1-1 Fund are published and filed with the State Auditor's Office.
- F. The board does not have procedures in place to identify payments which require Forms 1099-MISC to be filed with the Internal Revenue Service (IRS). In 2006, the board made payments to individuals or unincorporated businesses for legal services, drug testing services, and sign replacement, totaling over \$750, \$1,000, and \$791, respectively, and while it appears these payments should have been reported to the IRS, no 1099 forms were prepared. Section 6041 through 6051 of the Internal Revenue Code require that nonwage payments of at least \$600 in one year to an individual or unincorporated business be reported to the federal government on Form 1099-MISC.

**WE RECOMMEND** the Emergency 911 Board:

- A.1. Ensure supporting documentation for disbursements includes evidence of receipt of goods or services.
  - 2. Develop travel and expense reimbursement policies and require sufficient details and adequate supporting documentation for all expense reimbursement.
  - 3. Require all allowances to be supported by adequate documentation or report these reimbursements and allowances as other income on W-2 forms.
  - 4. Ensure all expenditures of county monies are a necessary and prudent use of public funds.
- B. Ensure budgets accurately reflect CD information. Also, the board should refrain from authorizing disbursements in excess of budgeted amounts. However, if valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's Office.

- C. Require the director to maintain adequate capital asset records and improve monitoring procedures over board property.
- D. Require the director to complete a time sheet, and ensure that time cards are signed by employees and approved by a supervisor.
- E. Work with the county to publish annual financial statements and file them with the State Auditor's Office in accordance with state law.
- F. Establish a procedure to evaluate payments and identify those requiring Forms 1099-MISC to be filed with the Internal Revenue Code.

**AUDITEE'S RESPONSE**

*The Emergency 911 Board Chairman and Vice-Chairman indicated:*

- A.1. *This recommendation has already been implemented.*
- 2. *They are working on developing travel and expense policies and continuing to work on obtaining sufficient details and adequate supporting documentation for expense reimbursements.*
- 3. *This recommendation will be implemented.*
- 4. *They will no longer approve such expenditures.*
- B. *This recommendation will be implemented with the 2008 budget.*
- C. *This recommendation will be implemented in early 2008.*
- D-F. *These recommendations will be implemented.*

<p><b>7. Senate Bill 40 Board Policies and Procedures</b></p>
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Contract-related payments to not-for-profit (NFP) agencies were made prior to ensuring adequate services were received and contract terms met. The board's review of financial records is not sufficient and the bank account is not monitored for proper collateralization. Board meeting minutes are not signed. The board receives approximately \$131,000 annually in property taxes and interest.

- A. Each year the Senate Bill 40 (SB40) Board entered into contracts with three not-for-profit (NFP) agencies which are the only recipients of board funding. During 2005 and 2006, the board distributed the majority of the monies to the NFPs early in the year. No supporting documentation was required to be provided until the end of the year along with requests for subsequent year's funding. For example, \$70,000 of the

total \$88,768 authorized funding was disbursed to one NFP in February 2006, with the remainder disbursed in June 2006. In addition, the total 2006 authorized contract amounts were disbursed to the other two NFPs in June 2006. For one of the these contracts it was later determined the June payment exceeded annual funding needs by approximately \$6,500. The board indicated this amount will be considered when evaluating 2007 funding requests. The board needs to ensure it has received adequate services for consideration being paid.

In addition, while each contract contained a specific contract term identifying the number of residents required to benefit from the SB40 funding, the board did not require the NFPs to submit documentation to demonstrate compliance with the term and the contracts did not address documentation or reporting requirements.

The contracts with the NFPs should be more specific and clearly establish the responsibilities and duties of each party and outline procedures and/or penalties for failure by either party to meet contractual terms. Also, to ensure the validity and propriety of expenditures, adequate supporting documentation should be obtained for all payments and contracts should be sufficiently detailed to allow the SB40 Board a basis for adequately monitoring the services received and determining whether the amount paid was reasonable. Payments to the NFPs should be made periodically throughout the entire year and only after the board is confident services are being adequately provided.

- B. The SB40 Board does not review bank reconciliations, bank statements, and canceled checks. To safeguard against possible loss or misuse of funds, ensure that proper reconciliations are in place, and ensure that disbursement transactions are in agreement with board approvals, the board should perform reviews of bank information and canceled checks.
- C. The SB40 Board has not established adequate procedures to monitor collateral securities pledged by its depository bank, and as a result, funds were under collateralized during February 2007 and February 2005. The board indicated it relies on the depository bank to monitor the account balance and pledge required securities.

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 SB40's funds unsecured and subject to loss in the event of bank failure. To ensure sufficient collateral securities are pledged, the SB40 Board should monitor the level of bank activity and notify the depository banks when additional securities need to be pledged.

- D. SB40 board minutes are not signed by the preparer. In addition, the minutes are not signed by a board member to attest to their completeness and accuracy. Minutes should be signed by the board members to show that the minutes have been reviewed and accurately reflect the discussions held and actions taken in the previous meeting.

**WE RECOMMEND** the Senate Bill 40 Board:

- A. Improve contract terms regarding funding levels and required documentation or reporting.
- B. Ensure periodic supervisory reviews of bank reconciliations are performed and documented.
- C. Establish monitoring procedures to ensure depository banks pledge adequate collateral securities at all times.
- D. Ensure the minutes are signed by the preparer and the board to attest to their completeness and accuracy.

**AUDITEE'S RESPONSE**

*The Senate Bill 40 Board President indicated:*

- A. *The board will take this recommendation under consideration.*
- B-D. *These recommendations have already been implemented.*

8.

**Health Center Policies and Procedures**

Records and procedures used to account for capital assets need improvement. Proper controls are not in place regarding facsimile stamp usage.

- A. Records and procedures used to account for capital assets need improvement. Property items are not properly numbered, tagged, or otherwise identified as property of the Health Center and periodic physical inventories are not performed. The Health Center is currently working on updating the list of capital assets; however, it has not been updated for several years and it does not provide all required details. Without adequate property records for capital assets, accountability for all items purchased and owned are lessened and there is no documentation for determining the proper amount of insurance coverage.

Adequate capital asset records and monitoring procedures are necessary to provide adequate internal controls over board property. The comparison of periodic inventories to overall capital asset records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Procedures to promptly identify, tag, and insure new capital assets are necessary to properly protect board assets.

- B. In addition to the board members, the Health Center's administrator and office manager are authorized to sign checks. The Health Center's checking account requires two signatures for all disbursements. A facsimile stamp of the Health Center Board's Treasurer is sometimes used by the administrator and/or the office manager, who have access of the stamp. Therefore, these individuals could sign the checks and use the facsimile stamp for the other required signature. In addition, initials are not provided to identify the user of the stamp. Allowing access to and use of the facsimile stamp in this manner diminishes the control intended by multiple signatures. The board should ensure proper facsimile stamp controls and usage guidelines are established.

**WE RECOMMEND** the Health Center:

- A. Maintain records to account for capital assets that include all pertinent information, identify all capital assets with a number, tag, or similar identifying device, and perform periodic physical inventories.
- B. Develop facsimile stamp controls and usage guidelines.

**AUDITEE'S RESPONSE**

*The Health Center Administrator indicated:*

- A. *They are currently working on implementing this recommendation.*
- B. *This has been implemented.*

## Follow-Up on Prior Audit Findings

CARROLL 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 Carroll County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002. 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. Budgetary Practices

- A. Disbursements exceeded budgeted amounts in various funds.
- B. A budget was not prepared for the year ended December 31, 2002 for the Enhanced 911 Board.

Recommendations:

- A. The County Commission, Circuit Clerk, and the Associate Division court not authorize disbursements in excess of budgeted amounts. If necessary, extenuating circumstances should be fully documented and the budgets properly amended and filed with the State Auditor's Office.
- B. The Enhanced 911 Board prepare budgets for each year in accordance with Chapter 50, RSMo 2000.

Status:

- A. Partially implemented. Excess expenditures occurred in only a few funds during 2005 and 2006. Although not repeated in the current MAR, the recommendation remains as stated above.
- B. Implemented.

2. Ex Officio County Collector's Bond Coverage

The Ex Officio County Collector's bond for the term of April 2001 through March 2005 was less than required by state law.

Recommendation:

The County Commission and the Ex Officio County Collector ensure the bond coverage is sufficient as required by Section 52.020, RSMo 2000.

Status:

Implemented.

3. Sheriff's Accounting Procedures

- A.1. Receipts were not deposited on a timely basis.
- 2. The method of payment was not consistently recorded on the receipt slips issued.
- B. The Sheriff's office did not maintain inventory records of commissary items.
- C. Some seized property items and some applicable case numbers were not recorded properly on the seized property evidence forms. In addition, periodic physical inventories were not performed for comparison with the inventory records.

Recommendations:

The Sheriff:

- A.1. Deposit receipts daily or when accumulated receipts exceed \$100.
- 2. Require the method of payment be consistently recorded on the receipt slips issued and reconcile the composition of receipts to the composition of bank deposits.
- B. Maintain inventory records for commissary items and reconcile inventory records to periodic physical inventory counts. Any discrepancies should be investigated in a timely manner.
- C. Ensure all seized property items and the applicable case numbers are properly recorded on evidence property forms. In addition, a periodic inventory should be performed and compared to the inventory listing and any discrepancies should be investigated in a timely manner.

Status:

A&C. Implemented.

- B. Not implemented. However, starting in May 2007, the Sheriff's office stopped having a commissary for prisoners.

STATISTICAL SECTION

History, Organization, and  
Statistical Information

CARROLL COUNTY, MISSOURI  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organized in 1833, the county of Carroll was named after Charles Carroll, a local resident and a signer of the Declaration of Independence. Carroll County is a township-organized, third-class county and is part of the Eighth Judicial Circuit. The county seat is Carrollton.

Carroll 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 365 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 12,131 in 1980 and 10,285 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,					
		2006	2005	2004	2003	1985*	1980**
		(in millions)					
Real estate	\$	66.6	66.9	66.3	66.0	40.3	33.0
Personal property		22.7	21.7	21.2	22.4	11.8	12.2
Railroad and utilities		44.3	42.2	41.1	38.7	33.1	27.2
Total	\$	133.6	130.8	128.6	127.1	85.2	72.4

\* First year of statewide reassessment.

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

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

		Year Ended December 31,			
		2006	2005	2004	2003
General Revenue Fund	\$	.2470	.2513	.2501	.2499
Special Road and Bridge Fund *		.0000	.0000	.0000	.0000
Johnson Grass Fund		.0100	.0000	.0000	.0000
Health Center Fund		.1000	.1000	.1000	.1000
Senate Bill 40 Board Fund		.1000	.1000	.1000	.1000

\* The county retains \$.05 per \$100 assessed valuation from each township's road and bridge levy and the township's voter approved additional levy to use for road and bridge purposes.

Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	\$ 40,844	39,732	39,225	38,567
General Revenue Fund	356,454	350,653	339,729	335,663
Special Road and Bridge Fund	66,728	63,991	63,584	62,868
Assessment Fund	103,933	100,450	98,368	77,974
Health Center Fund	133,621	130,015	128,418	126,627
Senate Bill 40 Board Fund	133,622	130,015	128,418	126,627
Drainage III Fund	24,446	24,256	24,458	24,054
Johnson Grass Fund	12,265	81	78	75
Tax Maintenance Fund	8,374	9,358	9,002	9,047
Townships	906,323	870,850	824,087	808,886
School districts	5,149,541	5,009,972	4,970,765	4,828,786
Ambulance districts	370,876	360,827	353,987	349,156
Fire protection districts	228,168	220,253	216,566	213,779
Golden Age Nursing Home	5,387	5,248	5,484	5,087
Drainage and levee districts	14,731	15,840	13,836	16,816
Cities	77,962	72,750	72,841	70,196
County Clerk	726	794	774	662
County Employees' Retirement	28,139	26,406	29,739	25,717
Commissions and fees:				
Township Collectors	49,918	49,754	49,114	49,161
General Revenue Fund	111,423	104,865	104,498	100,442
Total	\$ 7,823,481	7,586,110	7,472,971	7,270,190

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
Real estate	93.3	93.9	93.0	92.7
Personal property	90.0	89.9	90.6	89.2
Railroad and utilities	100.0	97.0	100.0	100.0

Carroll 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	%
Emergency 911	.0075	None	None	

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

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	\$				
Nelson Heil, Presiding Commissioner		29,135	28,217	26,969	25,780
Jim Stewart, Associate Commissioner		22,324	21,569		
Donald Vantrump, Associate Commissioner				24,969	23,780
David Martin, Associate Commissioner		27,135	26,217	24,969	23,780
Peggy McGaugh, County Clerk (1)		41,353	39,969	38,077	36,276
Mark Goodwin, Prosecuting Attorney		40,055	37,683		
Kevin L. Walden, Prosecuting Attorney				44,800	42,667
Joe Arnold, Sheriff		45,441	43,904	41,813	39,822
Steven W. Bittiker, County Coroner		11,901	11,499	10,951	10,460
Roy Barclay Staton, Public Administrator (2)		30,322	36,050	16,869	15,538
Alta M. O'Neal, Treasurer and Ex Officio County Collector, year ended March 31,	41,254	40,070	38,304	36,480	
Devin (Ford) Frazier, County Assessor (3), year ended August 31,		34,131	6,808		
Wanda Musick Mitthar, County Assessor (4), year ended August 31,			29,162	37,996	36,324
Marcus J. Magee, County Surveyor (2)					

- (1) Includes \$240, \$246, \$246 and \$246, respectively, of fees received for preparing and maintaining the net benefit and maintenance tax book for county Drainage District III.
- (2) Compensation on a fee basis.
- (3) Includes \$688 annual compensation received from the state in 2006.
- (4) Includes \$516, \$765, and \$866 annual compensation received from the state in 2005, 2004, and 2003, respectively.

State-Paid Officials:					
Cheryl Mansur, Circuit Clerk and Ex Officio Recorder of Deeds		49,470	48,500	47,900	47,300
Kevin Walden, Associate Circuit Judge		96,000	91,467		
Michael Bradley, Associate Circuit Judge				72,000	
Robert A. Bryant, Associate Circuit Judge				11,327	96,000