



THOMAS A. SCHWEICH
Missouri State Auditor

To the County Commission
and
Officeholders of Adair County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Adair County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2013, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Nichols, Stopp & VanHoy, Certified Public Accountants, is attached.

A handwritten signature in black ink that reads "Thomas A. Schweich".

Thomas A. Schweich
State Auditor

September 2014
Report No. 2014-083

**The County of Adair
Kirksville, Missouri
Independent Auditor's Report and Financial Statements
For the years ended December 31, 2013 & 2012**



**The County of Adair
Kirksville, Missouri
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INDEPENDENT AUDITOR'S REPORT



To the County Commission and
Officeholders of Adair County, Missouri

We have audited the accompanying financial statements of Adair County, Missouri, as of and for the years ended December 31, 2013 and 2012, which collectively comprise the County's basic financial statements and the related notes to the financial statements as identified in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by Missouri law, which practices differ from accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by Adair County, Missouri, using accounting practices prescribed or permitted by Missouri law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Adair County, Missouri, as of December 31, 2013 and 2012, or the changes in its financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of Adair County, Missouri, as of December 31, 2013 and 2012, and their respective cash receipts and disbursements, and budgetary results of these funds for the years then ended, on the basis of accounting described in Note 1.

Other Matters

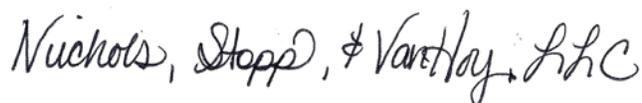
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Adair County, Missouri’s basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2014, on our consideration of Adair County, Missouri’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Adair County, Missouri’s internal control over financial reporting and compliance.



Creve Coeur, Missouri
June 26, 2014

The County of Adair
Kirksville, Missouri
Statement of Receipts, Disbursements, and Changes in Cash
All Governmental Funds: Regulatory Basis
For the year ended December 31, 2013

<u>Fund</u>	Cash and Equivalents January 1, 2013	Receipts 2013	Disbursements 2013	Cash and Equivalents December 31, 2013
General Revenue Fund	\$ 1,234,282	\$ 2,309,061	\$ 2,544,152	\$ 999,191
Special Road and Bridge Fund	270,998	2,735,787	2,355,080	651,705
Assessment Fund	96,332	365,976	347,555	114,753
Multi Co Child Support Enforcement Fund	6,044	107,289	106,362	6,971
Financial Emergency Fund	319,884	4,791	-	324,675
Sheriff Revolving Fund	19,539	27,302	18,658	28,183
Law Enforcement Services Fund	678,528	771,800	714,072	736,256
Countryside Fund	111,063	1,600	-	112,663
Domestic Violence Fund	26,951	4,379	-	31,330
Election Administration Fund	15,961	6,091	785	21,267
E-911 Emergency Fund	102,568	1,536	-	104,104
Election Services Fund	778	24,754	25,332	200
Recorder User Fund	36,872	8,209	6,909	38,172
Recorder Technical Fund	44,017	4,988	2,144	46,861
Collector Tax Fund	107,715	22,674	15,746	114,643
Law Enforcement General Fund	281,615	1,692,667	1,646,862	327,420
Law Enforcement Training Fund	6,376	4,021	4,192	6,205
Sheriff Civil Fund	46,671	19,754	10,969	55,456
Prosecuting Attorney Training Fund	7,309	775	1,379	6,705
Prosecuting Attorney Delinquent Fund	10,700	604	1,111	10,193
Prosecuting Attorney Administrative Fund	14,579	88,311	69,946	32,944
Law Enforcement Restitution Fund	-	7,300	-	7,300
Total	<u>\$ 3,438,782</u>	<u>\$ 8,209,669</u>	<u>\$ 7,871,254</u>	<u>\$ 3,777,197</u>

See Notes to the Financial Statements

The County of Adair
Kirkville, Missouri
Statement of Receipts, Disbursements, and Changes in Cash
All Governmental Funds: Regulatory Basis
For the year ended December 31, 2012

<u>Fund</u>	Cash and Equivalents January 1, 2012 (Restated)	Receipts 2012	Disbursements 2012	Cash and Equivalents December 31, 2012
General Revenue Fund	\$ 1,361,010	\$ 2,433,365	\$ 2,560,093	\$ 1,234,282
Special Road and Bridge Fund	322,649	1,653,320	1,704,971	270,998
Assessment Fund	74,998	335,325	313,991	96,332
Multi Co Child Support Enforcement Fund	6,422	110,963	111,341	6,044
Financial Emergency Fund	314,796	5,088	-	319,884
Sheriff Revolving Fund	18,067	15,628	14,156	19,539
Law Enforcement Services Fund	759,253	742,939	823,664	678,528
Countryside Fund	109,297	1,766	-	111,063
Domestic Violence Fund	22,395	4,556	-	26,951
Election Administration Fund	15,794	2,772	2,605	15,961
E-911 Emergency Fund	51,232	51,336	-	102,568
Election Services Fund	213	23,011	22,446	778
Recorder User Fund	39,344	8,782	11,254	36,872
Recorder Technical Fund	40,700	5,317	2,000	44,017
Collector Tax Fund	100,502	22,837	15,624	107,715
Law Enforcement General Fund	236,750	1,758,199	1,713,334	281,615
Law Enforcement Training Fund	6,445	4,220	4,289	6,376
Sheriff Civil Fund	41,918	24,901	20,148	46,671
Prosecuting Attorney Training Fund	7,092	848	631	7,309
Prosecuting Attorney Delinquent Fund	9,574	1,542	416	10,700
Prosecuting Attorney Administrative Fund	39,138	45,503	70,062	14,579
Law Enforcement Restitution Fund	-	-	-	-
Total	<u>\$ 3,577,589</u>	<u>\$ 7,252,218</u>	<u>\$ 7,391,025</u>	<u>\$ 3,438,782</u>

See Notes to the Financial Statements

The County of Adair
Kirkville, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2013 & 2012

	General Revenue Fund			
	2013		2012	
	Budget	Actual	Budget	Actual
Receipts				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	1,400,000	1,492,856	1,400,000	1,452,769
Intergovernmental	319,365	223,862	501,759	467,343
Charges for Services	370,520	401,151	348,840	407,275
Interest	17,400	18,534	17,556	22,263
Other	175,125	166,333	95,088	83,715
Transfers In	11,900	6,325	8,000	-
Total Receipts	<u>\$ 2,294,310</u>	<u>\$ 2,309,061</u>	<u>\$ 2,371,243</u>	<u>\$ 2,433,365</u>
Disbursements				
County Commission	\$ 141,524	\$ 127,327	\$ 145,666	\$ 119,760
County Clerk	159,249	153,885	147,164	133,979
Elections	47,700	30,868	188,246	155,033
Buildings and Grounds	317,954	159,625	259,412	150,384
Employee Fringe Benefits	488,400	397,611	466,213	405,580
County Treasurer	83,073	79,310	83,560	78,975
County Collector	134,960	129,085	130,066	130,462
Recorder of Deeds	123,652	114,791	117,682	108,770
Circuit Clerk	80,000	57,204	84,000	51,200
Court Administration	116,348	91,263	59,838	55,052
Public Administrator	103,898	101,451	97,726	95,825
Prosecuting Attorney	294,350	278,611	251,886	247,589
County Coroner	34,793	27,993	34,623	26,323
Health and Welfare	105,573	102,625	101,261	120,627
Emergency	70,000	33,660	200,000	-
Transfers Out	218,200	85,000	188,200	50,000
Other	648,517	573,843	622,019	630,534
Total Disbursements	<u>\$ 3,168,191</u>	<u>\$ 2,544,152</u>	<u>\$ 3,177,562</u>	<u>\$ 2,560,093</u>
Receipts Over (Under)				
Disbursements	\$ (873,881)	\$ (235,091)	\$ (806,319)	\$ (126,728)
Cash, January 1	<u>1,234,282</u>	<u>1,234,282</u>	<u>1,361,010</u>	<u>1,361,010</u>
Cash, December 31	<u><u>\$ 360,401</u></u>	<u><u>\$ 999,191</u></u>	<u><u>\$ 554,691</u></u>	<u><u>\$ 1,234,282</u></u>

See Notes to the Financial Statements

The County of Adair
Kirkville, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2013 & 2012

	Special Road and Bridge Fund			
	2013		2012	
	Budget	Actual	Budget	Actual
Receipts				
Property Taxes	\$ 718,159	\$ 720,269	\$ 685,000	\$ 716,189
Sales Taxes	35,000	197,937	-	-
Intergovernmental	2,720,141	1,726,218	1,168,827	822,214
Charges for Services	52,000	49,564	48,000	55,800
Interest	7,000	10,115	17,000	7,763
Other	19,500	31,684	29,000	51,354
Transfers In	-	-	-	-
Total Receipts	\$ 3,551,800	\$ 2,735,787	\$ 1,947,827	\$ 1,653,320
Disbursements				
Salaries	\$ 373,175	\$ 374,212	\$ 423,566	\$ 393,079
Employee Fringe Benefits	213,275	209,056	254,947	229,351
Supplies	228,500	210,839	236,500	223,963
Insurance	43,202	43,274	39,371	39,445
Road & Bridge Materials	448,653	370,194	789,595	575,128
Equipment Repairs	86,000	60,258	95,000	91,299
Equipment Purchases	84,000	74,611	57,000	50,083
R & B Construction	1,688,035	980,855	237,000	76,436
Other Expenditures	38,400	31,781	41,650	26,187
Transfers Out	-	-	-	-
Total Disbursements	\$ 3,203,240	\$ 2,355,080	\$ 2,174,629	\$ 1,704,971
Receipts Over (Under)				
Disbursements	\$ 348,560	\$ 380,707	\$ (226,802)	\$ (51,651)
Cash, January 1	270,998	270,998	322,649	322,649
Cash, December 31	\$ 619,558	\$ 651,705	\$ 95,847	\$ 270,998

See Notes to the Financial Statements

The County of Adair
Kirkville, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2013 & 2012

	Assessment Fund				Multi Co Child Support Enforcement Fund			
	2013		2012		2013		2012	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	268,276	270,513	261,680	270,357	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest	3,000	2,113	3,700	2,153	128	69	-	96
Other	10,900	8,350	9,433	12,815	113,013	107,220	118,103	110,867
Transfers In	85,000	85,000	50,000	50,000	-	-	-	-
Total Receipts	<u>\$ 367,176</u>	<u>\$ 365,976</u>	<u>\$ 324,813</u>	<u>\$ 335,325</u>	<u>\$ 113,141</u>	<u>\$ 107,289</u>	<u>\$ 118,103</u>	<u>\$ 110,963</u>
 <u>Disbursements</u>								
Salaries	\$ 176,469	\$ 175,814	\$ 176,451	\$ 170,975	\$ 73,700	\$ 68,075	\$ 73,700	\$ 73,700
Employee Fringe Benefits	98,317	92,845	97,148	87,212	22,839	19,655	22,858	22,830
Materials and Supplies	-	-	-	-	5,324	3,174	5,300	4,297
Services and Other	101,390	78,896	75,600	55,804	16,550	15,458	16,154	10,514
Transfers Out	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 376,176</u>	<u>\$ 347,555</u>	<u>\$ 349,199</u>	<u>\$ 313,991</u>	<u>\$ 118,413</u>	<u>\$ 106,362</u>	<u>\$ 118,012</u>	<u>\$ 111,341</u>
Receipts Over (Under)								
Disbursements	\$ (9,000)	\$ 18,421	\$ (24,386)	\$ 21,334	\$ (5,272)	\$ 927	\$ 91	\$ (378)
Cash, January 1	<u>96,332</u>	<u>96,332</u>	<u>74,998</u>	<u>74,998</u>	<u>6,044</u>	<u>6,044</u>	<u>6,422</u>	<u>6,422</u>
Cash, December 31	<u>\$ 87,332</u>	<u>\$ 114,753</u>	<u>\$ 50,612</u>	<u>\$ 96,332</u>	<u>\$ 772</u>	<u>\$ 6,971</u>	<u>\$ 6,513</u>	<u>\$ 6,044</u>

See Notes to the Financial Statements

**The County of Adair
Kirksville, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2013 & 2012**

	Financial Emergency Fund				Sheriff Revolving Fund			
	2013		2012		2013		2012	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	18,000	20,321	8,500	11,783
Interest	4,500	4,791	4,000	5,088	225	332	360	246
Other	-	-	-	-	8,000	6,649	2,800	3,599
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 4,500</u>	<u>\$ 4,791</u>	<u>\$ 4,000</u>	<u>\$ 5,088</u>	<u>\$ 26,225</u>	<u>\$ 27,302</u>	<u>\$ 11,660</u>	<u>\$ 15,628</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	12,000	11,057	12,000	10,843
Services and Other	-	-	-	-	9,000	7,601	2,800	3,313
Transfers Out	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,000</u>	<u>\$ 18,658</u>	<u>\$ 14,800</u>	<u>\$ 14,156</u>
Receipts Over (Under) Disbursements	\$ 4,500	\$ 4,791	\$ 4,000	\$ 5,088	\$ 5,225	\$ 8,644	\$ (3,140)	\$ 1,472
Cash, January 1	<u>319,884</u>	<u>319,884</u>	<u>314,796</u>	<u>314,796</u>	<u>19,539</u>	<u>19,539</u>	<u>18,067</u>	<u>18,067</u>
Cash, December 31	<u><u>\$ 324,384</u></u>	<u><u>\$ 324,675</u></u>	<u><u>\$ 318,796</u></u>	<u><u>\$ 319,884</u></u>	<u><u>\$ 24,764</u></u>	<u><u>\$ 28,183</u></u>	<u><u>\$ 14,927</u></u>	<u><u>\$ 19,539</u></u>

See Notes to the Financial Statements

The County of Adair
Kirkville, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2013 & 2012

	Law Enforcement Services Fund				Countryside Fund			
	2013		2012		2013		2012	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	700,000	744,690	700,000	724,177	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest	13,500	11,661	23,500	13,011	1,400	1,600	1,400	1,766
Other	15,619	15,449	7,189	5,751	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 729,119</u>	<u>\$ 771,800</u>	<u>\$ 730,689</u>	<u>\$ 742,939</u>	<u>\$ 1,400</u>	<u>\$ 1,600</u>	<u>\$ 1,400</u>	<u>\$ 1,766</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	-	-	-	-
Transfers Out	715,619	699,289	833,634	795,500	-	-	-	-
Other	-	14,783	-	28,164	-	-	-	-
Total Disbursements	<u>\$ 715,619</u>	<u>\$ 714,072</u>	<u>\$ 833,634</u>	<u>\$ 823,664</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Receipts Over (Under)								
Disbursements	\$ 13,500	\$ 57,728	\$ (102,945)	\$ (80,725)	\$ 1,400	\$ 1,600	\$ 1,400	\$ 1,766
Cash, January 1	<u>678,528</u>	<u>678,528</u>	<u>759,253</u>	<u>759,253</u>	<u>111,063</u>	<u>111,063</u>	<u>109,297</u>	<u>109,297</u>
Cash, December 31	<u>\$ 692,028</u>	<u>\$ 736,256</u>	<u>\$ 656,308</u>	<u>\$ 678,528</u>	<u>\$ 112,463</u>	<u>\$ 112,663</u>	<u>\$ 110,697</u>	<u>\$ 111,063</u>

See Notes to the Financial Statements

**The County of Adair
Kirksville, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2013 & 2012**

	Domestic Violence Fund				Election Administration Fund			
	2013		2012		2013		2012	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	6,297	5,828	1,500	2,515
Interest	370	425	250	390	250	263	200	257
Other	4,000	3,954	2,580	4,166	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 4,370</u>	<u>\$ 4,379</u>	<u>\$ 2,830</u>	<u>\$ 4,556</u>	<u>\$ 6,547</u>	<u>\$ 6,091</u>	<u>\$ 1,700</u>	<u>\$ 2,772</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	1,000	465	5,000	1,783
Services and Other	-	-	-	-	2,100	320	5,200	822
Transfers Out	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,100</u>	<u>\$ 785</u>	<u>\$ 10,200</u>	<u>\$ 2,605</u>
Receipts Over (Under) Disbursements	\$ 4,370	\$ 4,379	\$ 2,830	\$ 4,556	\$ 3,447	\$ 5,306	\$ (8,500)	\$ 167
Cash, January 1	<u>26,951</u>	<u>26,951</u>	<u>22,395</u>	<u>22,395</u>	<u>15,961</u>	<u>15,961</u>	<u>15,794</u>	<u>15,794</u>
Cash, December 31	<u>\$ 31,321</u>	<u>\$ 31,330</u>	<u>\$ 25,225</u>	<u>\$ 26,951</u>	<u>\$ 19,408</u>	<u>\$ 21,267</u>	<u>\$ 7,294</u>	<u>\$ 15,961</u>

See Notes to the Financial Statements

**The County of Adair
Kirksville, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2013 & 2012**

	E-911 Emergency Fund				Election Services Fund			
	2013		2012		2013		2012	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest	-	1,536	-	1,336	-	-	-	-
Other	-	-	-	-	-	24,754	-	23,011
Transfers In	-	-	-	50,000	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ 1,536</u>	<u>\$ -</u>	<u>\$ 51,336</u>	<u>\$ -</u>	<u>\$ 24,754</u>	<u>\$ -</u>	<u>\$ 23,011</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	25,332	-	22,446
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,332</u>	<u>\$ -</u>	<u>\$ 22,446</u>
Receipts Over (Under)								
Disbursements	\$ -	\$ 1,536	\$ -	\$ 51,336	\$ -	\$ (578)	\$ -	\$ 565
Cash, January 1	<u>102,568</u>	<u>102,568</u>	<u>51,232</u>	<u>51,232</u>	<u>778</u>	<u>778</u>	<u>213</u>	<u>213</u>
Cash, December 31	<u><u>\$ 102,568</u></u>	<u><u>\$ 104,104</u></u>	<u><u>\$ 51,232</u></u>	<u><u>\$ 102,568</u></u>	<u><u>\$ 778</u></u>	<u><u>\$ 200</u></u>	<u><u>\$ 213</u></u>	<u><u>\$ 778</u></u>

See Notes to the Financial Statements

The County of Adair
Kirkville, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2013 & 2012

	Recorder User Fund				Recorder Technical Fund			
	2013		2012		2013		2012	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	3,500	4,316	3,500	4,646
Interest	500	584	900	683	500	672	700	671
Other	6,000	7,625	6,000	8,099	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 6,500</u>	<u>\$ 8,209</u>	<u>\$ 6,900</u>	<u>\$ 8,782</u>	<u>\$ 4,000</u>	<u>\$ 4,988</u>	<u>\$ 4,200</u>	<u>\$ 5,317</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	1,345	6,909	6,800	6,770	6,725	-	1,500	-
Services and Other	17,225	-	5,500	4,484	2,500	2,144	2,000	2,000
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 18,570</u>	<u>\$ 6,909</u>	<u>\$ 12,300</u>	<u>\$ 11,254</u>	<u>\$ 9,225</u>	<u>\$ 2,144</u>	<u>\$ 3,500</u>	<u>\$ 2,000</u>
Receipts Over (Under)								
Disbursements	\$ (12,070)	\$ 1,300	\$ (5,400)	\$ (2,472)	\$ (5,225)	\$ 2,844	\$ 700	\$ 3,317
Cash, January 1	<u>36,872</u>	<u>36,872</u>	<u>39,344</u>	<u>39,344</u>	<u>44,017</u>	<u>44,017</u>	<u>40,700</u>	<u>40,700</u>
Cash, December 31	<u>\$ 24,802</u>	<u>\$ 38,172</u>	<u>\$ 33,944</u>	<u>\$ 36,872</u>	<u>\$ 38,792</u>	<u>\$ 46,861</u>	<u>\$ 41,400</u>	<u>\$ 44,017</u>

See Notes to the Financial Statements

**The County of Adair
Kirksville, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2013 & 2012**

	Collector Tax Fund				Law Enforcement General Fund			
	2013		2012		2013		2012	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	700,000	747,474	700,000	727,451
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	23,000	20,949	23,000	21,092	185,000	161,156	185,000	216,141
Interest	2,500	1,725	2,500	1,745	3,000	2,348	3,000	1,738
Other	-	-	-	-	53,684	82,400	60,055	67,369
Transfers In	-	-	-	-	707,500	699,289	752,500	745,500
Total Receipts	<u>\$ 25,500</u>	<u>\$ 22,674</u>	<u>\$ 25,500</u>	<u>\$ 22,837</u>	<u>\$ 1,649,184</u>	<u>\$ 1,692,667</u>	<u>\$ 1,700,555</u>	<u>\$ 1,758,199</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 841,983	\$ 790,410	\$ 882,339	\$ 836,182
Employee Fringe Benefits	-	-	-	-	461,018	397,214	498,741	446,932
Materials and Supplies	19,000	7,461	22,200	14,784	-	-	-	-
Services and Other	3,000	1,960	2,000	840	-	-	-	-
Capital Outlay	1,600	-	-	-	-	-	-	-
Transfers Out	8,400	6,325	-	-	-	-	-	-
Other	-	-	-	-	504,445	459,238	516,351	430,220
Total Disbursements	<u>\$ 32,000</u>	<u>\$ 15,746</u>	<u>\$ 24,200</u>	<u>\$ 15,624</u>	<u>\$ 1,807,446</u>	<u>\$ 1,646,862</u>	<u>\$ 1,897,431</u>	<u>\$ 1,713,334</u>
Receipts Over (Under) Disbursements	\$ (6,500)	\$ 6,928	\$ 1,300	\$ 7,213	\$ (158,262)	\$ 45,805	\$ (196,876)	\$ 44,865
Cash, January 1	<u>107,715</u>	<u>107,715</u>	<u>100,502</u>	<u>100,502</u>	<u>281,615</u>	<u>281,615</u>	<u>236,750</u>	<u>236,750</u>
Cash, December 31	<u>\$ 101,215</u>	<u>\$ 114,643</u>	<u>\$ 101,802</u>	<u>\$ 107,715</u>	<u>\$ 123,353</u>	<u>\$ 327,420</u>	<u>\$ 39,874</u>	<u>\$ 281,615</u>

See Notes to the Financial Statements

**The County of Adair
Kirksville, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2013 & 2012**

	Law Enforcement Training Fund				Sheriff Civil Fund			
	2013		2012		2013		2012	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	26,000	19,001	26,000	24,262
Interest	115	91	115	98	700	753	700	639
Other	3,750	3,930	3,300	4,122	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 3,865</u>	<u>\$ 4,021</u>	<u>\$ 3,415</u>	<u>\$ 4,220</u>	<u>\$ 26,700</u>	<u>\$ 19,754</u>	<u>\$ 26,700</u>	<u>\$ 24,901</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	51,200	10,969	25,600	14,512
Services and Other	5,000	4,192	5,300	4,289	12,500	-	12,500	5,636
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 5,000</u>	<u>\$ 4,192</u>	<u>\$ 5,300</u>	<u>\$ 4,289</u>	<u>\$ 63,700</u>	<u>\$ 10,969</u>	<u>\$ 38,100</u>	<u>\$ 20,148</u>
Receipts Over (Under)								
Disbursements	\$ (1,135)	\$ (171)	\$ (1,885)	\$ (69)	\$ (37,000)	\$ 8,785	\$ (11,400)	\$ 4,753
Cash, January 1	<u>6,376</u>	<u>6,376</u>	<u>6,445</u>	<u>6,445</u>	<u>46,671</u>	<u>46,671</u>	<u>41,918</u>	<u>41,918</u>
Cash, December 31	<u>\$ 5,241</u>	<u>\$ 6,205</u>	<u>\$ 4,560</u>	<u>\$ 6,376</u>	<u>\$ 9,671</u>	<u>\$ 55,456</u>	<u>\$ 30,518</u>	<u>\$ 46,671</u>

See Notes to the Financial Statements

The County of Adair
Kirkville, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2013 & 2012

	Prosecuting Attorney Training Fund			
	2013		2012	
	Budget	Actual	Budget	Actual
Receipts				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Interest	150	107	160	122
Other	800	668	638	726
Transfers In	-	-	-	-
Total Receipts	\$ 950	\$ 775	\$ 798	\$ 848
Disbursements				
Salaries	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-
Materials and Supplies	400	343	-	-
Services and Other	1,000	1,036	800	631
Capital Outlay	-	-	-	-
Transfers Out	-	-	-	-
Other	-	-	-	-
Total Disbursements	\$ 1,400	\$ 1,379	\$ 800	\$ 631
Receipts Over (Under)				
Disbursements	\$ (450)	\$ (604)	\$ (2)	\$ 217
Cash, January 1	7,309	7,309	7,092	7,092
Cash, December 31	\$ 6,859	\$ 6,705	\$ 7,090	\$ 7,309

See Notes to the Financial Statements

The County of Adair
Kirkville, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2013 & 2012

	Prosecuting Attorney Delinquent Fund				Prosecuting Attorney Administrative Fund			
	2013		2012		2013		2012	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest	175	156	200	168	700	447	1,200	639
Other	1,400	448	590	1,374	80,351	71,093	45,942	17,864
Transfers In	-	-	-	-	16,771	16,771	27,000	27,000
Total Receipts	<u>\$ 1,575</u>	<u>\$ 604</u>	<u>\$ 790</u>	<u>\$ 1,542</u>	<u>\$ 97,822</u>	<u>\$ 88,311</u>	<u>\$ 74,142</u>	<u>\$ 45,503</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 33,150	\$ 33,151	\$ 32,500	\$ 32,813
Employee Fringe Benefits	-	-	-	-	15,620	15,509	16,357	14,963
Materials and Supplies	1,575	1,111	1,000	416	9,000	8,236	9,000	9,595
Services and Other	-	-	-	-	16,000	13,050	17,000	12,691
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,575</u>	<u>\$ 1,111</u>	<u>\$ 1,000</u>	<u>\$ 416</u>	<u>\$ 73,770</u>	<u>\$ 69,946</u>	<u>\$ 74,857</u>	<u>\$ 70,062</u>
Receipts Over (Under)								
Disbursements	\$ -	\$ (507)	\$ (210)	\$ 1,126	\$ 24,052	\$ 18,365	\$ (715)	\$ (24,559)
Cash, January 1	<u>10,700</u>	<u>10,700</u>	<u>9,574</u>	<u>9,574</u>	<u>14,579</u>	<u>14,579</u>	<u>39,138</u>	<u>39,138</u>
Cash, December 31	<u>\$ 10,700</u>	<u>\$ 10,193</u>	<u>\$ 9,364</u>	<u>\$ 10,700</u>	<u>\$ 38,631</u>	<u>\$ 32,944</u>	<u>\$ 38,423</u>	<u>\$ 14,579</u>

See Notes to the Financial Statements

The County of Adair
Kirkville, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2013 & 2012

	Law Enforcement Restitution Fund			
	2013		2012	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Interest	-	-	-	-
Other	-	7,300	-	-
Transfers In	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ 7,300</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Disbursements</u>				
Salaries	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-
Materials and Supplies	-	-	-	-
Services and Other	-	-	-	-
Capital Outlay	-	-	-	-
Transfers Out	-	-	-	-
Other	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Receipts Over (Under)				
Disbursements	\$ -	\$ 7,300	\$ -	\$ -
Cash, January 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash, December 31	<u><u>\$ -</u></u>	<u><u>\$ 7,300</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See Notes to the Financial Statements

**The County of Adair
Kirksville, Missouri
Notes to the Financial Statements
For the years ended December 31, 2013 & 2012**

Note 1 - Summary of Significant Accounting Policies

Adair County, Missouri, which is governed by a three-member board of commissioners, was established in 1841 by an Act of the Missouri Territory. In addition to the three Commissioners, there are ten elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk, Recorder of Deeds, Sheriff, Assessor, Coroner, Public Administrator, and Prosecuting Attorney.

As discussed further in Note 1, these financial statements are presented on the regulatory basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

Reporting Entity

As required by generally accepted accounting principles, as applicable to the regulatory basis of accounting, these financial statements present financial accountability of Adair County, Missouri.

Adair County's operations include tax assessments and collections, state/county courts, county recorder, police protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Adair County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered to comprise Adair County's legal entity. The financial statements do not include financial data for the County's legally separate component unit, which accounting principles generally accepted in the United States of America, as applicable to the regulatory basis of accounting, require to be reported with the financial data of the County. The Adair County Senate Bill 40 Board has issued separately audited financial statements. For information on this component unit, please contact the Adair County Senate Bill 40 Board by calling (660) 665-9400 (or write to 1107 Country Club Drive, Kirksville, MO 63501).

Certain elected County officials, such as the County Collector, Treasurer, and Sheriff, collect and hold monies in a trustee capacity as an agent of an individual, taxing units, or other government. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements and are unaudited.

Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of all funds of Adair County, Missouri, and the comparisons of such information with the corresponding budgeted information for all funds of the County. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or an elected county official. The General Revenue Fund is the County's general operation fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

Basis of Accounting

The financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

The County of Adair
Kirkville, Missouri
Notes to the Financial Statements
For the years ended December 31, 2013 & 2012

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

As a result of the use of this regulatory basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If Adair County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Budget and Budgetary Accounting

In accordance with Chapter 50 RSMo, Adair County adopts a budget for each governmental fund.

On or before January 15th, each elected official and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for his or her office or department for the budget year.

The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year, as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.

A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.

Prior to February 1, the budget is legally enacted by a vote of the County Commission.

Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

Budgets are prepared and adopted on the cash basis of accounting.

During our audit we noted that the County was not in compliance with Missouri budgetary state statute Chapter 50 RSMo. The County did not prepare a budget for the Election Services Fund in 2013 and 2012.

**The County of Adair
Kirksville, Missouri
Notes to the Financial Statements
For the years ended December 31, 2013 & 2012**

Note 1 - Summary of Significant Accounting Policies (continued)

Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property included within Adair County's boundaries for the calendar year 2013 and 2012, respectively, for the purposes of County taxation, was:

	<u>2013</u>	<u>2012</u>
Real Estate	\$ 184,256,870	\$ 182,095,970
Personal Property	58,171,641	54,698,057
Railroad and Utilities	26,584,095	24,778,802
	<u>\$ 269,012,606</u>	<u>\$ 261,572,829</u>

The tax levy per \$100 assessed valuation of tangible taxable property for the calendar year 2013 and 2012, respectively, for the purpose of County taxation, was as follows:

	<u>2013</u>	<u>2012</u>
Special Road and Bridge Fund	0.2752	0.2752

The County also receives sales tax collected by the State and remitted based on the County's sales tax rate to the total sales tax collected in the County.

Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer's funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investments shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in Adair County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

The County of Adair
Kirksville, Missouri
Notes to the Financial Statements
For the years ended December 31, 2013 & 2012

Note 1 - Summary of Significant Accounting Policies (continued)

Interfund Transactions

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

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

Note 2 - Deposits and Investments

Adair County maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the statement of receipts, disbursements, and changes in cash arising from cash transactions as "Cash and Equivalents".

Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2013 and 2012, the carrying amount of Adair County's deposits was \$3,777,197 and \$3,438,782 and the bank balance was \$5,019,029 and \$4,576,505, respectively. As of December 31, 2013, 100% of Adair County's deposits and investments were covered by the Federal Deposit Insurance Corporation (FDIC) or were collateralized.

The carrying values of deposits and investments shown below are included in the financial statements at December 31, 2013, as follows:

Deposits	\$ 3,777,197
Investments	-
Restricted Cash	-
	<hr/>
Total Deposits and Investments as of December 31, 2013	<u><u>\$ 3,777,197</u></u>

The carrying values of deposits and investments shown below are included in the financial statements at December 31, 2012, as follows:

Deposits	\$ 3,438,782
Investments	-
Restricted Cash	-
	<hr/>
Total Deposits and Investments as of December 31, 2012	<u><u>\$ 3,438,782</u></u>

Custodial Credit Risk - Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Adair County's investment policy does include custodial credit risk requirements. Adair County's deposits were not exposed to custodial credit risk for the years ended December 31, 2013 and 2012.

The County of Adair
Kirkville, Missouri
Notes to the Financial Statements
For the years ended December 31, 2013 & 2012

Note 2 - Deposits and Investments (continued)

Custodial Credit Risk - Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party that sold the security to Adair County or its agent but not in the government's name. Adair County does have a policy for custodial credit risk relating to investments.

All investments, evidenced by individual securities, are registered in the name of Adair County or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Adair County does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of investment credit risk is required to be disclosed by Adair County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U. S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). Adair County has a policy in place to minimize the risk of loss resulting from over concentration of assets of a specific maturity, specific issuer or specific class of securities. Adair County's deposits were not exposed to concentration of investment credit risk for the years ended December 31, 2013 and 2012.

Note 3 - Interfund Transfers

Transfers between funds for the years ended December 31, 2013 and 2012 are as follows:

Fund	2013		2012	
	Transfers In	Transfers Out	Transfers In	Transfers Out
General Revenue Fund	\$ 6,325	\$ 85,000	\$ -	\$ 50,000
Law Enforcement Services Fund	-	699,289	-	795,500
Law Enforcement General Fund	699,289	-	745,500	-
Assessment Fund	85,000	-	50,000	-
Emergency 911 Fund	-	-	50,000	-
Collector Tax Fund	-	6,325	-	-
Juvenile Justice Fund*	-	166,315	-	147,444
Juvenile Grant Operations Fund*	149,544	-	120,444	-
Prosecuting Attorney Administrative Fund	16,771	-	27,000	-
Total	<u>\$ 956,929</u>	<u>\$ 956,929</u>	<u>\$ 992,944</u>	<u>\$ 992,944</u>

* The auditors were not engaged to audit the Juvenile Justice Fund and the Juvenile Grant Operations Fund; therefore, these funds were not audited.

The County of Adair
Kirkville, Missouri
Notes to the Financial Statements
For the years ended December 31, 2013 & 2012

Note 4 - County Employees' Retirement Fund (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees. The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government.

It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Section 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of eleven persons.

Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two may retire with full benefits with eight or more years of creditable service. The monthly benefit for county employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar amount, targeted replacement ratio formula, and the prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active eligible member upon his or her death. Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed. Any member with less than eight years creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions. The County Employees' Retirement Fund issues audited financial statements.

Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65102, or by calling 1-877-632-2373.

Funding Policy

In accordance with state statutes, the plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002, contribute 0% of their annual salary, while employees hired after February 2002 are required to contribute 4% of their annual salary in order to participate in CERF. During 2013 and 2012, the County collected and remitted to CERF, employee contributions of \$30,551 and \$30,448, respectively, for the years then ended.

Note 5 - Missouri Local Government Employees Retirement System (LAGERS)

Plan Description

Adair County participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multi-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and governed by statutes section RSMo 70.600-70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

The County of Adair
Kirkville, Missouri
Notes to the Financial Statements
For the years ended December 31, 2013 & 2012

Note 5 - Missouri Local Government Employees Retirement System (LAGERS) (continued)

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling (800) 447-4334.

Funding Status

Full-time employees of Adair County do not contribute to the pension plan. The June 30th statutorily required contribution rates are 12.4% (General) and 14.5% (Police) of annual covered payroll for the year ended December 31, 2013. The June 30th statutorily required contribution rates are 12.8% (General) and 14.3% (Police) of annual covered payroll for the year ended December 31, 2012. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

Annual Pension Cost (APC) and Net Pension Obligation (NPO)

The subdivision's annual pension cost and net pension obligation for the year ended December 31, 2013 was as follows:

	2013
Annual required contribution	\$ 304,309
Interest on net pension obligation	-
Adjustment to required contribution	-
Annual pension cost	304,309
Actual contributions	304,309
Increase (decrease) in NPO	-
NPO beginning of year	-
NPO end of year	\$ -

The annual required contribution (ARC) was determined as part of the February 28, 2011 and February 29, 2012 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2013 included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 28, 2011 was 16 years for the General division and 16 years for the police division. The amortization period of February 29, 2012 was 24 years for the General division and 17 years for the Police division.

Three-Year Trend Information			
Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 271,209	100.0%	\$ -
2012	310,605	100.0%	-
2013	304,309	100.0%	-

The County of Adair
Kirkville, Missouri
Notes to the Financial Statements
For the years ended December 31, 2013 & 2012

Note 5 - Missouri Local Government Employees Retirement System (LAGERS) (continued)

Annual Pension Cost (APC) and Net Pension Obligation (NPO) (continued)

Required Supplementary Information - Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2011	\$ 2,860,097	\$ 3,317,185	\$ 457,088	86%	\$ 2,432,656	19%
2/29/2012	3,134,768	3,867,802	733,034	81%	2,393,448	31%
2/28/2013	3,140,139	3,791,331	651,192	83%	2,261,292	29%

The subdivision's annual pension cost and net pension obligation for the year ended December 31, 2012 was as follows:

	<u>2012</u>
Annual required contribution	\$ 310,605
Interest on net pension obligation	-
Adjustment to required contribution	-
Annual pension cost	<u>310,605</u>
Actual contributions	<u>310,605</u>
Increase (decrease) in NPO	-
NPO beginning of year	-
NPO end of year	<u><u>\$ -</u></u>

The annual required contribution (ARC) was determined as part of the February 28, 2010 and February 28, 2011 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 29, 2012 included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 28, 2010 was 17 years for the General division and 18 years for the police division. The amortization period of February 28, 2011 was 16 years for the General division and 16 years for the Police division.

<u>Three-Year Trend Information</u>			
Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 226,940	100.0%	\$ -
2011	271,209	100.0%	-
2012	310,605	100.0%	-

**The County of Adair
Kirksville, Missouri
Notes to the Financial Statements
For the years ended December 31, 2013 & 2012**

Note 5 - Missouri Local Government Employees Retirement System (LAGERS) (continued)

Annual Pension Cost (APC) and Net Pension Obligation (NPO) (continued)

Required Supplementary Information - Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2010	\$ 2,404,718	\$ 2,849,349	\$ 444,631	84%	\$ 2,155,385	21%
2/28/2011	2,860,097	3,317,185	457,088	86%	2,432,656	19%
2/29/2012	3,134,768	3,410,833	276,065	92%	2,393,448	12%
2/29/2012*	3,134,768	3,867,802	733,034	81%	2,393,448	31%

* After benefit changes

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

Note 6 - Prosecuting Attorney Retirement Fund

In accordance with state statute Chapter 56.807 RSMo, Adair County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys' and Circuit Attorneys' Retirement System. Once remitted, the State of Missouri is responsible for administration of this plan. Adair County has contributed \$7,752 and \$7,106, respectively, for the years ended December 31, 2013 and 2012.

Note 7 - Post-Employment Benefits

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

Note 8 - Claims, Commitments and Contingencies

Litigation

Adair County is involved in pending litigation as of December 31, 2013. The extent of the liability, if any, cannot be determined at this time.

Compensated Absences

The County provides employees with up to five weeks of paid vacation based upon the number of years of continuous service. Upon termination from county employment, an employee is reimbursed for unused vacation and overtime, if applicable but not sick time. These have not been subjected to auditing procedures.

The County of Adair
Kirkville, Missouri
Notes to the Financial Statements
For the years ended December 31, 2013 & 2012

Note 8 - Claims, Commitments and Contingencies (continued)

Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

Note 9 - Risk Management

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

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.700 RSMo). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make specific assessments. Members are jointly and severally liable for all claims against the risk pool.

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

Note 10 - Subsequent Events

The County has evaluated events subsequent to December 31, 2013 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through June 26, 2014, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

Note 11 - Long-Term Debt

During June of 2000, the County entered into a lease purchase agreement in the amount of \$1,975,000 for a term of 20 years at an interest rate of 6.245% for the purpose of constructing a juvenile justice center. In June of 2011, the County amended the lease purchase agreement to obtain a lower interest rate of 3.900%. This amended lease purchase is for a term of nine years with an annual lease payment of \$151,085 and one balloon payment of \$75,000 at the end of the lease.

As of December 31, 2013, the unpaid principal balance of the lease purchase was \$985,104. The future payments for the lease purchase agreement of the juvenile justice center are as follows:

The County of Adair
Kirkville, Missouri
Notes to the Financial Statements
For the years ended December 31, 2013 & 2012

Note 11 - Long-Term Debt (continued)

Balance 12/31/2012	Additions	Retirements	Balance 12/31/2013	Interest Paid
\$ 1,096,356	\$ -	\$ 111,252	\$ 985,104	\$ 39,833
Year Ending December 31	Principal	Interest	Total	
2014	\$ 115,591	\$ 35,494	\$ 151,085	
2015	120,099	30,986	151,085	
2016	124,711	26,374	151,085	
2017	129,646	21,439	151,085	
2018	134,703	16,382	151,085	
2019-2020	360,354	16,815	377,169	
	<u>\$ 985,104</u>	<u>\$ 147,490</u>	<u>\$ 1,132,594</u>	

As of December 31, 2012, the unpaid principal balance of the lease purchase was \$1,096,356. The future payments for the lease purchase agreement of the juvenile justice center are as follows:

Balance 12/31/2011	Additions	Retirements	Balance 12/31/2012	Interest Paid
\$ 1,203,316	\$ -	\$ 106,960	\$ 1,096,356	\$ 44,125
Year Ending December 31	Principal	Interest	Total	
2013	\$ 111,252	\$ 39,833	\$ 151,085	
2014	115,591	35,494	151,085	
2015	120,099	30,986	151,085	
2016	124,711	26,374	151,085	
2017	129,646	21,439	151,085	
2018-2020	495,057	33,197	528,254	
	<u>\$ 1,096,356</u>	<u>\$ 187,323</u>	<u>\$ 1,283,679</u>	

Note 12 - Operating Leases

The County entered into an operating lease for the Public Defender's office as of June 1, 2010. This lease is effective from June 1, 2010, through May 31, 2017, with quarterly payments of \$2,336. During the years ended December 31, 2013 and 2012, the County made payments totaling \$9,344 and \$9,344.

2013 Future Minimum Payments for Operating Lease:

Year Ending December 31	Amount
2014	\$ 9,344
2015	9,344
2016	9,344
2017	4,672
	<u>\$ 32,704</u>

The County of Adair
Kirksville, Missouri
Notes to the Financial Statements
For the years ended December 31, 2013 & 2012

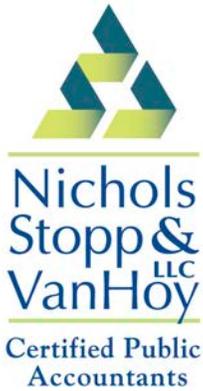
Note 12 - Operating Leases (continued)

2012 Future Minimum Payments for Operating Lease:

Year Ending December 31	Amount
2013	\$ 9,344
2014	9,344
2015	9,344
2016	9,344
2017	4,672
	<u>\$ 42,048</u>

Note 13 - Prior Period Adjustment

January 1, 2012 cash has been restated to include the E-911 Emergency Fund and Election Services Fund, and to remove the Overplus Tax Fund, Unclaimed Fees Fund, Deputy Sheriff Supplemental Fund, Juvenile Justice Fund, and Juvenile Grant Operations Fund.



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 Adair County, Missouri

We have audited, in accordance with the 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, the accompanying financial statements of Adair County, Missouri, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise Adair County, Missouri's basic financial statements and have issued our report thereon dated June 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Adair County, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Adair County, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of Adair County, Missouri's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency: 13/12-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adair County, Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an

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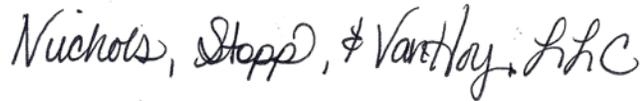
opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 13/12-1.

Adair County, Missouri's Response to Findings

Adair County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Adair County, Missouri's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Creve Coeur, Missouri
June 26, 2014



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the County Commission and
Officeholders of Adair County, Missouri

Report on Compliance for Each Major Federal Program

We have audited Adair County, Missouri's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Adair County, Missouri's major federal programs for the years ended December 31, 2013 and 2012. Adair County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Adair County, Missouri's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Adair County, Missouri'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 on compliance for each major federal program. However, our audit does not provide a legal determination of Adair County, Missouri's compliance.

Opinion on Each Major Federal Program

In our opinion, Adair County, Missouri, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2013 and 2012.

Report on Internal Control Over Compliance

Management of Adair County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Adair County, Missouri's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing

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an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Adair County, Missouri's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Nichols, Stopp, & VanHoy, L.L.C.

Creve Coeur, Missouri
June 26, 2014

**The County of Adair
Kirksville, Missouri
Schedule of Expenditures of Federal Awards
For the years ended December 31, 2013 & 2012**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures Year Ended December 31,	
			2013	2012
U.S. Department of Agriculture				
Passed through state:				
MO Department of Elementary and Secondary Education - Food Service Cluster				
School Breakfast Program	10.553	N/A	\$ 9,040	\$ 8,803
School Snack Program	10.555	N/A	2,858	2,736
National School Lunch Program	10.555	N/A	14,043	13,345
Non-Cash Assistance				
National School Lunch Program - Commodities	10.555	N/A	3,240	4,043
Total Department of Agriculture			29,181	28,927
U.S. Department of Housing and Urban Development				
Passed through state:				
Department of Economic Development - Community Development Block Grant				
	14.228	2009-PF11	-	274
Department of Social Services - ARRA - Homeless Prevention and Rapid Rehousing Program				
	14.257	ER16410052A	-	12,496
Total U.S. Department of Housing and Urban Development			-	12,770
U.S. Department of the Interior				
Passed through state:				
MO Department of Natural Resources - Historic Preservation Fund Grants-In-Aid				
	15.904	Proj. 29-1241932-011	71,939	3,100
Total U.S. Department of the Interior			71,939	3,100
U.S. Department of Justice				
Passed through state:				
Department of Public Safety - Juvenile Justice and Delinquency Prevention Allocation to States				
	16.540	2010-2011-Title 2-01	13,969	1,505
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	2009-2010-Title 2-20	-	15,540
Total Juvenile Justice and Delinquency and Prevention to States			13,969	17,045
Court Appointed Special Advocates				
	16.756	N/A	7,371	9,800
Total Court Appointed Special Advocates			7,371	9,800

**The County of Adair
Kirksville, Missouri
Schedule of Expenditures of Federal Awards
For the years ended December 31, 2013 & 2012**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures Year Ended December 31,	
			2013	2012
U.S. Department of Justice (cont.)				
Justice Assistance Grant Cluster				
Edward Byrne Memorial Justice Assistance Grant	16.738	2010-JAG-030	88,258	71,562
Edward Byrne Memorial Justice Assistance Grant	16.738	2009-JAG-028	-	138,509
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.803	2009-JAG-RA-094	-	54,196
Total Justice Assistance Grant Cluster			88,258	264,267
Total U.S. Department of Justice			109,598	291,112
U.S Department of Transportation				
Passed through state:				
Missouri Safety Center				
State and Community Highway Safety	20.600	12-OP-05-005	-	2,000
Alcohol Open Container Requirements	20.607	12-154-AL-083	-	1,000
Alcohol Open Container Requirements	20.607	13-154-AL-074	2,200	400
Alcohol Open Container Requirements	20.607	14-154-AL-062	400	-
Total Alcohol Open Container Requirements			2,600	1,400
Highway and Transportation Commission -				
Highway Planning and Construction	20.205	BRO-B001(45)	-	13,317
Highway Planning and Construction	20.205	BRO-B001(46)	410,518	30,200
Highway Planning and Construction	20.205	BRO-B001(47)	257,860	40,783
Highway Planning and Construction	20.205	BRO-B001(48)	312,500	-
Total Highway Planning and Construction			980,878	84,300
Total U.S. Department of Transportation			983,478	87,700
General Services Administration				
Passed through state:				
Office of Secretary of State -				
Election Reform Payments	39.011	N/A	176	-
Total General Service Administration			176	-
Election Assistance Commission				
Passed through state:				
Office of Secretary of State -				
Help America Vote Act Requirements Payments	90.401	N/A	3,499	668
Total Election Assistance Commission			3,499	668

**The County of Adair
Kirksville, Missouri
Schedule of Expenditures of Federal Awards
For the years ended December 31, 2013 & 2012**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures Year Ended December 31,	
			2013	2012
U.S. Department of Health and Human Services				
Passed through state:				
Department of Social Services -				
Child Support Enforcement	93.563	04MO4005	86,957	93,944
Social Services Block Grant	93.667	SDA3991100124s	-	8,452
Foster Care - Title IV - E	93.658	AOC08380039	886	677
Office of Secretary of State -				
Voting Access for Individuals with Disabilities Grants to States	93.617	N/A	4,734	-
Preferred Family Healthcare, Inc. -				
Drug Free Communities Support Grants Programs	93.276	21179SP014190	15,920	10,800
Total U.S. Department of Health and Human Services			108,497	113,873
U.S. Department of Homeland Security				
Passed through state:				
Emergency Management Agency -				
Disaster Grants - Public Assistance	97.036	1847-DR-MO	-	3,557
Disaster Grants - Public Assistance	97.036	1934-DR-MO	-	129,672
Total Disaster Grants - Public Assistance			-	133,229
Total U.S. Department of Homeland Security			-	133,229
Total Expenditures of Federal Awards			\$ 1,306,368	\$ 671,379

**The County of Adair
Kirksville, Missouri
Notes to Schedule of Expenditures of Federal Awards
For the years ended December 31, 2013 & 2012**

Note 1 - Summary of Significant Accounting Policies

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 number is not available.

This schedule includes all federal awards administered by Adair County, Missouri.

Basis of Presentation

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.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Note 2 - Subrecipients

The County passed through \$88,258 and \$264,267 of federal funds related to the Edward Byrne Memorial Justice Assistance Grants and ARRA - Edward Byrne Memorial Justice Assistance Grant (CFDA# 16.738 & 16.803) to another agency for the years ended December 31, 2013 & 2012, respectively.

**The County of Adair
Kirksville, Missouri
Schedule of Findings and Questioned Costs
For the years ended December 31, 2013 & 2012**

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unmodified Regulatory Basis

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses?

 X Yes _____ None Reported

Any noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified not considered to be material weaknesses?

_____ Yes X None Reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133?

_____ Yes X No

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs:

 \$ 300,000

Auditee qualified as low-risk auditee?

_____ Yes X No

**The County of Adair
Kirksville, Missouri
Schedule of Findings and Questioned Costs
For the years ended December 31, 2013 & 2012**

Section 2 - Financial Statement Findings

13/12-1 **Condition:** During our audit, we noted the County did not prepare a budget for the Election Services Fund.

Effect: Missouri statutes require Counties to prepare an annual budget and expenditures are not to exceed the budget. Because the County did not prepare a budget in a fund, the County is in violation of Missouri Revised Statutes.

Cause: Oversight

Recommendation: We recommend that the County adopt a budget and periodically review its actual expenditures as compared to budgeted amounts. An amended budget should be prepared and approved as necessary to comply with statutes.

Management's Response: The Adair County Clerk's office will take into consideration compiling a budget for the Election Services Fund.

13/12-2 **Condition:** During our audit, we noted the County was not recording all cash receipts in the proper period.

Effect: If cash receipts are not recorded in the proper period, revenue and ending cash/fund balance will be reported inaccurately in the financial statements.

Cause: The Treasurer was receipting ACH deposits in the wrong period, and was unaware of the effect on the financial statements.

Recommendation: We recommend that the County adopt a year-end closing process to ensure all revenue is being recorded in the proper period.

Management's Response: The Adair County Treasurer has always receipted ACH's when the bank statement is reconciled. This practice has always been accepted by the state auditor's office as we reflect those receipts in the following month and list each ACH as outstanding items on the monthly bank reconciliation reports and balance to the monthly bank statements. This information is received in the Treasurer's office after the end of the month and the Treasurer's office has always taken the stand that we will not back date or pre date any documents. Since this is our policy, we date the receipts when we have all the information through the bank statements to verify the ACH's and track down which fund they are to be deposited into and from which state agency that they were issued. Bank statements are provided to the county after the close of each month. As this method is acceptable by the state auditor's office we will continue to do so, but we will make every attempt to track down monies that are deposited in December and issue receipts before the last working day in December so those monies will be recorded in the same calendar year.

Section 3 - Federal Award Findings and Questioned Cost

None

**The County of Adair
Kirksville, Missouri
Follow-Up to Prior Audit Findings for an Audit of Financial
Statements Performed in Accordance with Government Auditing Standards**

In accordance with Government Auditing Standards, this section reports the auditor's follow-up on action taken by Adair County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2011.

Prior Year Financial Statement Findings

FS 11/10-1 **Criteria:** Auditors may continue to assist clients with the preparation of the financial statements now and in the future. According to Statement on Auditing Standards (SAS) No. 115, which was amended by SAS No. 112, Communicating Internal Control Related Matters Identified in an Audit, which is effective for periods ending on or after December 15, 2009, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Context: During the audit planning phase of the audit the client informed us that we would be preparing the audited financials.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 115 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: The County did not prepare the appropriate documentation.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Views of Responsible Officials and Planned Corrective Actions: The County will consider implementing corrective action in future years.

Status: Management has corrected this issue.

FS 11/10-2 **Criteria:** Statement on Auditing Standards (SAS) No. 115, Communicating Internal Control Related Matters Identified in an Audit, which is effective for periods ending on or after December 15, 2009, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Context: During walkthroughs the County informed us that internal control documentation had not been prepared.

Effect: The new SAS 115 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

**The County of Adair
Kirksville, Missouri
Follow-Up to Prior Audit Findings for an Audit of Financial
Statements Performed in Accordance with Government Auditing Standards**

FS 11/10-2 **Recommendation:** We recommend that the County develop the required internal control documentation. In (Cont.) addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Views of Responsible Officials and Planned Corrective Actions: The County has developed internal controls and accounting documentation to cover the Budget, Accounts Payable, Payroll, Receipts, General Ledger, Grant Procedures, Financial Statements, and a Risk Management Committee.

Status: Management has corrected this issue.

FS 11/10-3 **Criteria:** Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During the walkthroughs of the County, we noted there is no formal fraud risk assessment in place.

Context: During walkthroughs the County informed us that the necessary risk assessment documentation had not been prepared.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Views of Responsible Officials and Planned Corrective Actions: The County is in the process of implementing a Risk Management Committee.

Status: Management has corrected this issue.

**The County of Adair
Kirksville, Missouri
Follow-Up to Prior Audit Findings for an Audit of Financial
Statements Performed in Accordance with Government Auditing Standards**

FS 11/10-4 **Criteria:** Bank reconciliations must be prepared on a timely basis.

Condition: Bank reconciliations were not made available by the Prosecuting Attorney's office.

Context: During our testing of the Prosecuting Attorney's office we were not provided documentation that cash accounts were being accounted for and therefore reconciliation was not being performed.

Effect: Effective internal controls are not in place to deter misstatements from occurring in a timely manner.

Cause: The Prosecuting Attorney's office was unaware of the necessity of this activity being performed.

Recommendation: We recommend that the Prosecuting Attorney's office prepare a running report of the activity of their bank accounts as checks and deposits are written and received in order to prepare a meaningful and accurate reconciliation.

Views of Responsible Officials and Planned Corrective Actions: The Prosecuting Attorney's office disagrees with said finding. Our office does not accept cash under any circumstances. Furthermore, we provided the auditors with several documents outlining our procedures. Our office receives money orders and cashier checks daily. Each day, those payments are entered into our bad check/restitution system electronically. Deposits of those payments are made to victims of crimes. Each month as the bank statements are provided, both Dana Buster and myself reconcile the account statement from the bank, with the statement provided by our bad check/restitution program to monitor that all payments are being handled appropriately. We also review to see if there are any outstanding checks in the account that need to be followed up on. These monthly reconciliations along with all deposit slips, program receipts were provided to the auditors. However, they informed me this would be a finding because I do not maintain a separate ledger of these same items and because I cannot give them the account balance on any given day. I first have to say that I do not see the need to duplicate the efforts that we are already doing. Secondly, our office does not have the human resources to duplicate these efforts. We are strained to ensure that we have the proper checks in place and adding additional work, I fear, will create problems with our ability to complete the jobs we were elected to do. As to the daily balance issue, I recall talking with our auditor and asked if it was normal for a daily reconciliation to take place. He, Matt Norrid, indicated that daily is not normal, but monthly is. This is because it is unclear as to what checks have cleared for that day without going online and looking. Banks provide us a monthly statement. While I agree that a ledger will provide it all to the auditors in a neat little package, I will continue to disagree with their assessment that we are not reconciling nor did we provide them with the needed documents. I will not duplicate the work in our office unless the Adair County Commission finds a way to provide me with the necessary manpower to accomplish this work that needs to be completed that is not duplicative.

Status: Management has corrected this issue.

**The County of Adair
Kirksville, Missouri
Follow-Up to Prior Audit Findings for an Audit of Financial
Statements Performed in Accordance with Government Auditing Standards**

Section 3 - Federal Award Findings and Questioned Cost

SA 11/10-1	Federal Grantor:	All Programs
	Pass-Through Grantor:	All Programs
	Federal CFDA Number:	All Programs
	Program Title:	All Programs

Information on the federal program: The Schedule of Expenditures of Federal Awards contained errors.

Criteria: OMB Circular A-133 requires the auditee to prepare the Schedule of Federal Expenditures and Awards.

Condition: Through auditing procedures, we were able to correct and support the amounts reported on the Schedule of Expenditures of Federal Awards (SEFA). Prior to these corrections, the Schedule of Expenditures of Federal Awards (SEFA) was prepared with incorrect financial information.

Questioned Costs: Not applicable

Context: During the audit of federal programs we discovered a number of errors related to the Schedule of Expenditures of Federal Awards (SEFA).

Effect: No control monitoring or control over federal expenditures reporting, as required by Governmental Accounting and Financial Reporting Standards.

Cause: Adequate emphasis was not placed on the preparation of the Schedule of Expenditures of Federal Awards (SEFA).

Recommendation: The County should implement procedures to ensure that the SEFA is prepared in accordance with federal requirements. The County should continue in its efforts to establish an accounting system that will capture grant transactions in a manner sufficient to readily report the necessary information required on the SEFA. The cost center listing that identifies federal expenditures should be defined and cross matched in a table that is updated monthly by a designee of the County Clerk's Office.

Views of responsible officials and planned corrective actions: The County will ensure that the Schedule of Expenditures of Federal Awards (SEFA) is correct.

Status: Management has corrected this issue.