



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Vernon County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Vernon County, and issues a separate report on that audit. In addition, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

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

Susan Montee, CPA
State Auditor

January 2009
Report No. 2009-16

VERNON COUNTY, MISSOURI
ANNUAL FINANCIAL REPORT

December 31, 2007 and 2006

VERNON COUNTY, MISSOURI

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INTRODUCTORY SECTION

VERNON COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Bonnie McCord

Associate Commissioner – Neal Gerster

Associate Commissioner – Kennon Shaw

Other Elected Officials

Assessor – Cherie Roberts

Circuit Clerk – Vickie Erwin

Recorder – Doug Shupe

Collector / Treasurer – Phil Couch

Coroner – David Ferry

County Clerk – Tammi Beach

Prosecuting Attorney – Lynn Ewing III

Public Administrator – Virginia Habjan

Sheriff – Ron Peckman

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McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission
and
Officeholders of Vernon County, Missouri

We have audited the accompanying financial statements of Vernon County, Missouri as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, Vernon County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements 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.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Vernon County, Missouri, as of December 31, 2007 and 2006, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the governmental and agency funds of Vernon County, Missouri, as of December 31, 2007 and 2006, and the receipts, disbursements and budgetary results of the governmental funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 25, 2008, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Vernon County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

(Original signed by auditor)

McBride, Lock & Associates
July 25, 2008

FINANCIAL SECTION

VERNON COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS-REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2006 AND 2007

Fund	Cash January 1 2006 (restated)	Receipts 2006	Disbursements 2006	Cash December 31 2006	Receipts 2007	Disbursements 2007	Cash December 31 2007
General Revenue	\$ 198,740	2,353,605	2,397,391	154,954	2,294,381	2,304,401	144,934
Special Road and Bridge	622,134	1,695,398	1,792,627	524,905	1,360,843	1,640,430	245,318
Assessment	13,185	207,937	213,627	7,495	209,657	214,507	2,645
Law Enforcement Training	257	3,212	3,462	7	3,140	2,437	710
Sheriff's Discretionary	9	25,615	25,624	-	31,831	31,831	-
Prosecuting Attorney's Training	1,373	684	1,974	83	538	501	120
Prosecuting Attorney's Bad Check	18,557	29,514	27,048	21,023	26,437	38,229	9,231
Sewer	34,973	7,237	5,169	37,041	8,405	2,426	43,020
L.E.P.C.	23,818	7,052	7,050	23,820	3,354	4,472	22,702
Shelter	-	4,280	4,280	-	4,447	4,447	-
Election Service	12,033	5,883	3,511	14,405	6,573	5,084	15,894
HAVA	15,654	253,354	247,817	21,191	954	22,099	46
Election	-	99,297	99,297	-	57,514	57,514	-
Tax Maintenance	47,291	20,284	12,338	55,237	24,452	52,003	27,686
Quarter % Assessment	27,831	28,242	-	56,073	30,122	62,977	23,218
Recorders User Fee	89,923	20,038	17,000	92,961	20,088	18,700	94,349
Law Enforcement Restitution	20,758	23,005	21,861	21,902	27,049	5,018	43,933
Law Enforcement Tax	-	-	-	-	9,543,880	897,655	8,646,225
Inmate Security	5,343	2,424	-	7,767	2,548	-	10,315
Total	\$ 1,131,879	4,787,061	4,880,076	1,038,864	13,656,213	5,364,731	9,330,346

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

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

GENERAL FUND				
Year Ended December 31,				
	2006		2007	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 263,400	230,733	338,400	337,510
Sales taxes	910,800	930,238	948,637	944,052
Intergovernmental	437,661	318,326	277,857	214,803
Charges for services	332,755	338,956	363,000	396,800
Interest	10,000	15,001	12,000	15,856
Other	166,225	346,790	203,701	212,282
Transfers in	180,245	173,561	193,449	173,078
Total Receipts	<u>2,301,086</u>	<u>2,353,605</u>	<u>2,337,044</u>	<u>2,294,381</u>
DISBURSEMENTS				
County Commission	90,937	90,513	91,300	91,429
County Clerk	175,934	172,239	175,292	173,252
Elections	48,200	49,847	27,500	20,045
Buildings and grounds	120,210	122,408	136,511	137,976
Employee fringe benefits	292,685	280,611	315,930	287,153
County Treasurer	73,450	69,161	119,307	94,003
Recorder of Deeds	89,846	86,864	86,413	85,305
Circuit Clerk	35,950	28,442	37,738	27,384
Court administration	24,300	15,003	22,300	21,961
Public Administrator	51,929	50,839	51,975	51,370
Sheriff	441,713	429,536	567,398	562,707
Jail	270,418	280,267	300,053	229,723
Prosecuting Attorney	193,879	175,143	183,849	179,932
Juvenile Officer	102,983	122,420	128,808	104,134
Coroner	31,635	29,071	31,380	25,863
Other	307,550	285,994	199,961	186,413
Health and welfare	4,500	2,500	2,500	2,500
Transfers out	104,492	104,492	28,625	23,067
Emergency fund	69,572	2,041	70,111	184
Total Disbursements	<u>2,530,183</u>	<u>2,397,391</u>	<u>2,576,951</u>	<u>2,304,401</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(229,097)	(43,786)	(239,907)	(10,020)
CASH, JANUARY 1	198,740	198,740	154,954	154,954
CASH, DECEMBER 31	<u>\$ (30,357)</u>	<u>154,954</u>	<u>(84,953)</u>	<u>144,934</u>

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

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 100,000	99,111	100,000	23,548	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	2,260,752	1,461,285	1,983,603	1,302,832	187,595	204,412	194,415	196,396
Charges for services	-	-	-	-	-	-	-	-
Interest	60,000	33,453	27,000	25,713	200	2,934	2,934	3,087
Other	-	14,502	43,900	8,750	750	591	600	674
Transfers in	87,048	87,047	-	-	17,445	-	10,625	9,500
Total Receipts	2,507,800	1,695,398	2,154,503	1,360,843	205,990	207,937	208,574	209,657
DISBURSEMENTS								
Salaries	250,000	222,622	290,000	259,086	137,243	137,186	142,046	142,046
Employee fringe benefits	87,486	60,359	88,677	75,655	24,409	36,753	39,018	39,178
Materials and Supplies	144,000	125,553	127,000	101,911	21,600	28,627	22,930	26,222
Services and Other	1,916,752	979,027	1,364,412	656,353	35,923	11,061	12,075	7,061
Capital Outlay	211,600	89,106	146,000	73,030	-	-	-	-
Construction	364,000	167,268	515,500	347,816	-	-	-	-
Transfers out	148,692	148,692	126,579	126,579	-	-	-	-
Total Disbursements	3,122,530	1,792,627	2,658,168	1,640,430	219,175	213,627	216,069	214,507
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(614,730)	(97,229)	(503,665)	(279,587)	(13,185)	(5,690)	(7,495)	(4,850)
CASH, JANUARY 1	622,134	622,134	524,905	524,905	13,185	13,185	7,495	7,495
CASH, DECEMBER 31	\$ 7,404	524,905	21,240	245,318	-	7,495	-	2,645

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

VERNON COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	LAW ENFORCEMENT TRAINING FUND				SHERIFF'S DISCRETIONARY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	3,500	3,127	3,455	3,115	30,000	23,740	26,900	31,674
Interest	50	17	15	25	-	81	100	157
Other	-	68	30	-	-	1,794	1,000	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	3,550	3,212	3,500	3,140	30,000	25,615	28,000	31,831
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	13,500	10,294	11,500	10,490
Services and Other	3,500	3,462	3,507	2,437	16,500	15,330	16,500	21,341
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	3,500	3,462	3,507	2,437	30,000	25,624	28,000	31,831
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	50	(250)	(7)	703	-	(9)	-	-
CASH, JANUARY 1	257	257	7	7	9	9	-	-
CASH, DECEMBER 31	\$ 307	7	-	710	9	-	-	-

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

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	PROSECUTING ATTORNEY'S TRAINING FUND				PROSECUTING ATTORNEY'S BAD CHECK FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	600	515	700	-	-	-	-	-
Charges for services	-	-	-	-	22,500	28,430	28,250	24,967
Interest	100	87	50	13	500	1,084	750	1,470
Other	-	82	100	525	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	700	684	850	538	23,000	29,514	29,000	26,437
DISBURSEMENTS								
Salaries	-	-	-	-	11,501	13,334	18,615	28,737
Employee fringe benefits	-	-	-	-	1,553	1,553	-	-
Materials and Supplies	-	-	-	-	7,500	4,292	2,700	5,037
Services and Other	2,000	1,974	933	501	-	-	-	4,455
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	12,100	7,869	21,455	-
Total Disbursements	2,000	1,974	933	501	32,654	27,048	42,770	38,229
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(1,300)	(1,290)	(83)	37	(9,654)	2,466	(13,770)	(11,792)
CASH, JANUARY 1	1,373	1,373	83	83	18,557	18,557	21,023	21,023
CASH, DECEMBER 31	\$ 73	83	-	120	8,903	21,023	7,253	9,231

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

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	SEWER FUND				L.E.P.C. FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 4,500	5,208	5,000	6,181	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	2,110	5,825	5,800	2,110
Charges for services	-	-	-	-	-	-	-	-
Interest	1,000	2,029	2,000	2,224	650	1,227	1,200	1,244
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	5,500	7,237	7,000	8,405	2,760	7,052	7,000	3,354
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	40,473	5,169	44,041	2,426	26,578	7,050	30,820	4,472
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	40,473	5,169	44,041	2,426	26,578	7,050	30,820	4,472
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(34,973)	2,068	(37,041)	5,979	(23,818)	2	(23,820)	(1,118)
CASH, JANUARY 1	34,973	34,973	37,041	37,041	23,818	23,818	23,820	23,820
CASH, DECEMBER 31	\$ -	37,041	-	43,020	-	23,820	-	22,702

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

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	SHELTER FUND				ELECTION SERVICE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	4,200	4,220	4,150	4,378	5,000	5,185	4,034	5,773
Interest	40	60	50	69	200	698	700	800
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	4,240	4,280	4,200	4,447	5,200	5,883	4,734	6,573
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	17,000	3,511	17,105	5,084
Services and Other	4,240	4,280	4,200	4,447	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	4,240	4,280	4,200	4,447	17,000	3,511	17,105	5,084
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	-	-	-	(11,800)	2,372	(12,371)	1,489
CASH, JANUARY 1	-	-	-	-	12,033	12,033	14,405	14,405
CASH, DECEMBER 31	\$ -	-	-	-	233	14,405	2,034	15,894

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

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	HAVA FUND				ELECTION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	243,815	248,609	1,100	224	50,000	99,297	36,500	57,514
Charges for services	-	-	-	45	-	-	-	-
Interest	800	4,745	100	685	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	244,615	253,354	1,200	954	50,000	99,297	36,500	57,514
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	190,000	190,000	-	6,825	-	-	-	-
Services and Other	70,269	57,817	22,391	15,274	50,000	99,297	36,500	57,514
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	260,269	247,817	22,391	22,099	50,000	99,297	36,500	57,514
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(15,654)	5,537	(21,191)	(21,145)	-	-	-	-
CASH, JANUARY 1	15,654	15,654	21,191	21,191	-	-	-	-
CASH, DECEMBER 31	\$ -	21,191	-	46	-	-	-	-

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

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	TAX MAINTENANCE FUND				QUARTER % ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	23,000	26,136	28,000	27,777
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	17,000	17,863	17,000	21,335	-	-	-	-
Interest	500	2,421	2,000	3,117	-	2,106	1,000	2,345
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	17,500	20,284	19,000	24,452	23,000	28,242	29,000	30,122
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	62,977
Services and Other	10,600	10,609	74,000	50,274	50,831	-	85,073	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	29,400	1,729	-	1,729	-	-	-	-
Total Disbursements	40,000	12,338	74,000	52,003	50,831	-	85,073	62,977
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(22,500)	7,946	(55,000)	(27,551)	(27,831)	28,242	(56,073)	(32,855)
CASH, JANUARY 1	47,291	47,291	55,237	55,237	27,831	27,831	56,073	56,073
CASH, DECEMBER 31	\$ 24,791	55,237	237	27,686	-	56,073	-	23,218

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

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	RECORDERS USER FEE FUND				LAW ENFORCEMENT RESITUATION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	15,000	15,164	14,000	15,145	-	22,127	22,000	25,544
Interest	-	4,874	3,500	4,943	-	878	500	1,505
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	15,000	20,038	17,500	20,088	-	23,005	22,500	27,049
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	33,000	-	50,000	-	35,000	21,861	39,402	18
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	17,000	17,000	-	18,700	-	-	5,000	5,000
Total Disbursements	50,000	17,000	50,000	18,700	35,000	21,861	44,402	5,018
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(35,000)	3,038	(32,500)	1,388	(35,000)	1,144	(21,902)	22,031
CASH, JANUARY 1	89,923	89,923	92,961	92,961	20,758	20,758	21,902	21,902
CASH, DECEMBER 31	\$ 54,923	92,961	60,461	94,349	(14,242)	21,902	-	43,933

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

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	LAW ENFORCEMENT TAX FUND				INMATE SECURITY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	145,000	74,166	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Proceeds from Bond	-	-	-	9,013,872	-	-	-	-
Tax anticipation loan	-	-	500,000	432,032	-	-	-	-
Other	-	-	10,000	10,000	-	2,424	-	2,548
Dividend Income	-	-	-	13,810	-	-	-	-
Total Receipts	-	-	655,000	9,543,880	-	2,424	-	2,548
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	-	-	-	-
Loan Repayment	-	-	-	432,032	-	-	-	-
Construction	-	-	655,000	442,285	-	-	-	-
Fees and Expenses	-	-	-	23,338	-	-	-	-
Total Disbursements	-	-	655,000	897,655	-	-	-	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	-	-	8,646,225	-	2,424	-	2,548
CASH, JANUARY 1	-	-	-	-	-	5,343	-	7,767
CASH, DECEMBER 31	\$ -	-	-	8,646,225	-	7,767	-	10,315

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

VERNON COUNTY, MISSOURI
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS - REGULATORY BASIS
DECEMBER 31, 2006 and 2007

AGENCY FUND	December 31, 2007		December 31, 2006	
	Cash and Cash Equivalents	Due to Others	Cash and Cash Equivalents	Due to Others
Unclaimed Fees	\$ 18	18	4,405	4,405
Overplus	3,692	3,692	2,922	2,922
Ambulance	106	106	-	-
Surtax	50,683	50,683	46,321	46,321
Prosecuting Attorney's Tax Collection	42	42	1,454	1,454
County Employees' Retirement Fund	1,966	1,966	3,351	3,351
Prosecuting Attorney's Fee	155	155	335	335
Township	316	316	56,108	56,108
City	611	611	-	-
School	41,351	41,351	33,701	33,701
Collector	8,061,500	8,061,500	1,039,569	1,039,569
Total	\$ 8,160,440	8,160,440	1,188,166	1,188,166

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

VERNON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

As discussed further in Note 1, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

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

The financial statements referred to above include only the primary government of Vernon County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity.

B. Basis of Presentation

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The following fund types are used by the County:

Governmental Fund Type – Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

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

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

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

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. The following individual amendment was material in relation to the original appropriations which were adopted. The County approved creation of a Law Enforcement Sales Tax Fund, which began October 1, 2007. This amended fund had anticipated revenue and expenditures of

\$655,000 comprised of sales tax revenue, a \$500,000 bond anticipation note, and a donation with corresponding expenditures used for construction and other associated project cost.

8. Budgets are prepared and adopted on the cash basis of accounting.
 9. Adoption of a formal budget is required by law. The county did adopt a formal budget for all funds.
 10. Section 50.740 RSMo. Prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds.
 - a. Shelter
 - b. Election
 - c. Sheriff's Discretionary
 - d. Law Enforcement Tax
- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2007 and 2006, for purposes of taxation was:

	<u>2007</u>	<u>2006</u>
Real Estate	\$ 145,604,336	135,489,551
Personal Property	54,950,314	61,405,822
Railroad and Utilities	13,769,266	14,000,066

During 2007 and 2006 the County Commission approved a \$0.1422 and \$0.1584 tax levy respectively per \$100 of assessed valuation of tangible taxable property for the calendar year 2007 and 2006, for purposes of County taxation, as follows:

	<u>2007</u>	<u>2006</u>
General Revenue Fund	<u>\$0.1422</u>	<u>\$0.1584</u>

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the 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, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

G. Interfund Transactions

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the financial statements.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund activity has been eliminated for governmental activities in the government-wide financial statements.

2. CASH AND INVESTMENTS

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

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$17,490,786 and \$2,227,030 the bank balance was \$15,771,413 and \$1,544,822, respectively. Of the bank balance \$365,941 and \$227,571 for December 31, 2007 and December 31, 2006 respectively were covered by federal depository insurance and \$15,405,472 and \$1,317,251, respectively, was covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent, in the County's name.

The County also maintains proceeds from Certificates of Participation that are held in a financial institution pursuant to a trust agreement. The balance of approximately \$8,562,059 at December 31, 2007 was held entirely in money market funds that were fully collateralized, and is included as County deposits in the preceding paragraph.

3. COUNTY EMPLOYEES' RETIREMENT FUND - CERF

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

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter

form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

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

B. Pension Benefits

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

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age sixty (for sheriff's department personnel); all other departments in the county the age is sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

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

C. Funding Policy

Pursuant to State Statutes, CERF is partially funded from a portion of delinquent property tax penalties and other penalties and fees. Further, a contribution to CERF of 4% to 6% of gross compensation, depending on LAGERS participation, is required for all participants hired on or after February 2002. A contribution of 0% to 4% of compensation, depending on LAGERS participation, is required of employees hired before February 2002. A lesser contribution requirement applies to employees who participate in LAGERS. The source of funding of these contributions is determined by each county. During 2007 and 2006, the County collected and remitted to CERF employee contributions of approximately \$48,046 and \$44,141, respectively, for the years then ended, equal to the required contributions.

4. POST EMPLOYMENT BENEFITS

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

5. CLAIMS COMMITMENT AND CONTINGENCIES

A. Compensated Absences

The County provides full time employees with up to 180 days of sick time -- to accrue at one day per complete calendar month of employment up to 180 days. Upon termination, the employee is not compensated accrued sick time. Vacation time is accrued for every full time employee, and accrues at the rate of one-half day per month up to two and one-fourth days depending on length of employment. Employees must use vacation time in the year it is earned.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies. The County's expenditures of federal awards did not exceed \$500,000 in either 2007 or 2006 and accordingly, the County is not required to obtain a single audit in accordance with Office of Management and Budget Circular A-133.

6. RISK MANAGEMENT

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

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

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

7. CHANGE IN REPORTING ENTITY

The County has changed its definition of the reporting entity, as of January 1, 2006, to include certain fiduciary agency funds in the basic financial statements and to exclude certain funds pertaining to the Circuit Court. The effect of this change is to report a statement of assets and liabilities arising from cash transactions for all agency funds, including agency

funds not previously reported. These agency funds consist of assets held by County officeholders as an agent of individuals, private organizations and other governmental units. Because agency funds do not report results of operations, the aforementioned change in reporting entity does not affect changes in cash balances of governmental funds as previously reported.

8. LONG TERM DEBT

The County issued the following debt during fiscal year 2007:

- A. Notes Payable: The County issued temporary bond anticipation notes to finance the planning and construction of a new law enforcement facility. The County fully paid the note of approximately \$435,286 during the fiscal year ended December 31, 2007.
- B. Bonds Payable The County issued certificates of participation bonds to provide funds for the construction of a new law enforcement facility and to repay the related bond anticipation notes. The County created a Law Enforcement Sales Tax Fund in which the activity for this project is recorded. Sales tax revenue bonds are payable from a one-half cent sales tax. The County debt at December 31, 2007 consisted of the following:
 - i. Certificates of Participation: \$10,000,000, November 15, 2007; Certificates of Participation Series 2007, issued for the Law Enforcement Project, due in semi-annual installments of \$151,725 to \$569,444, interest at 3.5% to 3.7% through October 1, 2012; \$134,126 to \$609,126, interest at 3.75% to 3.95%, through October 1, 2017; \$70,374 to \$670,374, interest at 4% to 4.2% through October 1, 2023; \$15,520 to \$725,620 , interest 4.25% to 4.4% through maturity at October 1, 2027.

COMPLIANCE SECTION

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McBRIDE, LOCK & ASSOCIATES

AUDITORS' 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 Vernon County, Missouri'

We have audited the accompanying financial statements of Vernon County, Missouri as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated July 25, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Vernon County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Vernon County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Vernon County, Missouri's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Vernon County, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Vernon County, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the Vernon County, Missouri's internal control. We consider the deficiency described in the schedule of findings and recommendations as item 1 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vernon County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* that are identified as items 2 and 3.

We noted certain matters that we reported to management of Vernon County, Missouri, in the findings and recommendations section as items 4 through 7.

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

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

(Original signed by auditor)

McBride, Lock & Associates
July 25, 2008

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

To the County Commission of Vernon County, Missouri

Compliance

We have audited the compliance of Vernon County, Missouri, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006. Vernon County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Vernon County, Missouri's management. Our responsibility is to express an opinion on Vernon County, Missouri's compliance based on our audits.

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

In our opinion, Vernon County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Vernon County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audits, we

considered Vernon County, Missouri's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Vernon County, Missouri's internal control over compliance.

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

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

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

(Original signed by auditor)

McBride, Lock & Associates
July 25, 2008

VERNON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Years Ended December 31,	
			2006	2007
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
	State Department of Public Safety -			
16.523	Juvenile Accountability Incentive Block Grants	2003-JABG-SUP22	\$ 9,621	-
16.540	Juvenile Justice and Delinquency Prevention -	ERO17262	21,662	22,002
16.575	Crime Victim Assistance	2004VOCA0075	12,327	6,887
16.588	Violence Against Women Formula Grants	2005VAWA0029	14,195	-
16.592	Local Law Enforcement Block Grants Program	2005LBGJ-096	8,725	-
	Cape Girardeau County -			
16.580	Edward Byrne Memorial State and Local Law		-	17,986
	Missouri Sheriffs' Association -		-	2,471
	Domestic Cannabis Eradication/Suppression Program		-	5,191
16.726		2000DDVX055	8,033	3,706
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state:				
	Highway and Transportation Commission -			
20.205	Highway Planning and Construction	BRO-108(30)	433,787	-
		BRO-108(32)	27,579	281,596
		BRO - 108(33)	-	35,713
	Department of Public Safety -			
20.703	Interagency Hazardous Materials Public	CEPF	3,310	-
	Sector Training and Planning Grants	HMEP	2,110	2,110
GENERAL SERVICES ADMINISTRATION				
Passed through the Office of Secretary of State -				
39.011	Election Reform Payments		427	-
ELECTION ASSISTANCE COMMISSION				
Passed through the Office of Secretary of State -				
90.401	Help America Vote Act Requirements Payments		248,609	1,325
	Department of Social Services -			
93.563	Child Support Enforcement	Circuit Clerk	2,220	1,989
93.569	Community Services Block Grant	Pros. Atty.	33,368	27,947
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Grant	PGA067-6209C	2,365	
	Department of Social Services -	AOC06380231	1,830	
U. S. DEPARTMENT OF HOMELAND SECURITY				
Passed through State Department of Public Safety:				
97.042	Emergency Management Performance Grants		16,637	19,005
97.067	Homeland Security Grant Program	2004-GE-T4-0049	116,555	-
Total Expenditures of Federal Awards			\$ 963,360	427,928

See accompanying notes to Schedule of Expenditures of Federal Awards

VERNON COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – MATCHING REQUIREMENTS

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

NOTE C – SUBRECEIPIENTS

The County provided no federal awards to sub-recipients during the years ended December 31, 2007 and 2006.

VERNON COUNTY, MISSOURI
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2007 AND 2006

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of Auditors' Report Issued: Unqualified

Internal Control Over Financial Reporting:

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

Federal Awards:

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

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

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

Auditee Qualified as low-risk: ☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENTS FINDINGS

See Findings 1 and 2.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

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

There were no prior audit findings pertaining to Federal Awards.

FINDINGS AND RECOMMENDATIONS

VERNON COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESS IN INTERNAL CONTROL

None

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

1. Recording and Budgeting Debt

Condition: The County issued in 2007 certificates of participation to finance the costs of the County Law Enforcement Facility. This debt, in the amount of approximately \$8,500,000, and the related proceeds of the borrowing were not presented in the County's published financial statements nor are they included in the County's accounting system. Further, the transactions were not included in the County's annual budget. The omission of cash and disbursement transactions from the County's central accounting system, particularly items of this magnitude, materially misstates the financial statements and also weakens internal control by reducing the oversight and monitoring functions pertaining to the disbursement of the funds and the repayment of the related debt.

Recommendation: We recommend the County Clerk record all transactions associated with the Law Enforcement Certificates of Participation, including the expenditure of proceeds of borrowings and the debt service payments, in the County accounting system. These transactions and balances should also be included in the County's published financial statements and in the budget.

County's Response: September 19, 2007 a Budget amendment was sent for the Law Enforcement Sales Tax Fund which indicated the passage of the tax. As it was so late in the year the indebtedness for the bonds was included in the 2008 budget.

The County has contracted the management of the bonds with a private company, Southwest Trust, and receives monthly income and expense statements on the funds.

ITEMS OF NONCOMPLIANCE

2. Absence of Investment Policy

Condition: The County has not adopted an investment policy as required by State Statutes. The County has no investments, however, an investment policy addresses topics such as collateralization of deposits, strategy with respect to investment of public funds, and other areas, and thus such a policy would be beneficial and also required for the County. Section 110.270, RSMo 2007, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2007, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation.

Recommendation: We recommend the County adopt an investment policy and review compliance with this policy at least annually. Guidelines for developing an investment policy may be found at organizations such as the Government Finance Officer's Association, which offers a publication entitled GFOA's New Model Investment Policy, and examples of investment policies for many counties may be found on the internet.

County's Response: We do not believe this pertains to the County as stated in RSMo 30.950 paragraph (2) it talks about political divisions that do not have an agreement. Vernon County does have an agreement with our depository institution which is bid every four years.

3. Budgetary Controls

Condition: The County Commission did not exercise adequate budgetary control over a number of funds during the audit period. During the audit period, there were 4 different funds for which expenditures were approved for payment which exceed the approved budget. These funds were:

- Shelter – 2006 and 2007
- Election – 2006 and 2007
- Sheriff's Discretionary – 2007
- Law Enforcement Tax – 2007

RSMo 50.740 prohibits expenditures in excess of the approved budgets.

Recommendation: We suggest that the County Commission establish controls to ensure that disbursements are not approved in excess of the approved budget.

County's Response:

Shelter Fund 2006 & 2007

- The budgeted amount did not exceed the approved budget until December of the 2006 & 2007, therefore it did not require a budget amendment.

Election Fund 2006 & 2007

- This is a pass through account for costs associated with elections held in Vernon County. When planning for budgets we are not certain how many elections may be held during the year.
- New equipment was required through the Help America Vote Act and the additional costs associated with programming for the equipment exceeded the Clerk's estimates

Sheriff's Discretionary 2007

- The budgeted amount did not exceed the approved budget until November of 2007. Therefore it did not require a budget amendment.

Law Enforcement Tax 2007

- See response to Finding No. 1.

It is the Counties practice to amend the budget as required by RSMo 50.740. The Clerk's office as well as the County Commission will watch the pass through funds more closely

and file amendments as required.

OTHER MATTERS

In planning and performing our audit of the financial statements of Vernon County, Missouri (the County) as of and for the years ended December 31, 2007 and 2006, in accordance with generally accepted government auditing standards, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are summarized below. We previously reported on the County's internal control in our report dated July 25, 2008. (A separate report dated July 25, 2008 contains our report on significant deficiencies in the County's internal control). This document does not affect our report dated July 25, 2008.

4. Recording Transfers

Condition: Transfers between funds are not always budgeted as such in the respective funds. Amounts budgeted as transfers-in for 2006 totaled \$302,737 while amounts budgeted as transfers-out totaled \$300,237. The differences resulted from recording transfers-out in the amount of \$2,500 as an expenditure in the outgoing fund (the Tax Collection Fund) rather than as a transfer.

Recommendation: We recommend the County Clerk record transfers, both budgeted and actual, consistently between funds within the "Transfers" category, rather than as expenditures or revenues.

County's Response: Transfers will be noted as such rather than an expenditure in the future.

5. Timely Recording of Receipts

Condition: The Treasurer receives monies from County officeholders for fees and charges collected. The Treasurer places the collected amounts in her cash drawer, however, the receipt for this cash may be written at a later time. This situation places the officeholders in a position of having no record of the disposition of cash and checks which were in their possession.

Recommendation: We recommend all County officeholders provide a cash transmittal report that lists the source and nature of the amounts deposited with the County Treasurer. The Treasurer should then issue written receipts immediately upon receiving the deposit.

County's Response: Computer generated receipts are issued immediately when Treasurers monies are received with the exception of the first day or two of each month. We issue a hand written receipt to anyone who requests one during that time frame. Our computer system will not allow us to enter new computer generated receipts for the current month until the previous month is balanced.

A transmittal form will be created and distributed to each officeholder who deposits funds with the Treasurer. It will also be requested that they obtain a receipt upon delivery of the funds to the Treasurer.

6. Timely Deposit of Collections

Condition: We were informed that the County Clerk deposits collections with the Treasurer once or twice a month. Undeposited revenues are not afforded the same safeguards as are provided by the Treasurer's office, where collections are deposited with the bank daily. Further, such revenues are not recorded in the accounting system until they are receipted by the Treasurer.

Recommendation: We recommend the County Clerk deposit all receipts with the Treasurer when amounts exceed \$100, or at least weekly. Considering the proximity of the Treasurer to the Clerk, frequent deposits can be conveniently arranged and enhance security over cash collections.

County's Response: The County Clerk will deposit funds weekly or more often as needed not to exceed \$100.00 on hand at any given time.

7. Maintenance of Personnel Files

Condition: Personnel files should contain up-to-date contact information for the employee, position title, W-4, payroll authorization, a record of any changes in benefits or pay, evidence of salary level, job titles, and employment forms. Out of the four employees we tested, all four employees did not have documentation setting forth their current authorized salary. For uniformity and efficiency of operations, the personnel files should be complete and should be considered the central source for all information and transactions concerning employees.

Recommendation: We recommend that the County Clerk's Office ensure that the permanent personnel file of each employee contain all information relevant to the individual's position, compensation, deductions, and contact information.

County's Response: A copy of final salaries will be made a part of the permanent personnel file of each employee after the approval of the budget.

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

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Vernon County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2003 and 2002.

The budgets of the Special Road and Bridge Fund did not present a reasonable estimate of the fund's expenditures, and did not allow for proper monitoring and use of the budget as a management tool.

Status- Implemented.