



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Audrain County, Missouri

The Office of the State Auditor, in cooperation with Audrain County, 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 Casey and Company, L.L.C., Certified Public Accountants, is attached.

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

Susan Montee, CPA
State Auditor

November 2008
Report No. 2008-76

INDEPENDENT AUDITORS' REPORT

AUDRAIN COUNTY, MISSOURI

**FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006**

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**CASEY AND COMPANY, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS
COLUMBIA, MISSOURI**

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INDEPENDENT AUDITORS' REPORT

CASEY AND COMPANY OF COLUMBIA, L.L.C.



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August 7, 2008

INDEPENDENT AUDITORS' REPORT

To the County Commission
Audrain County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Audrain County, Missouri, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the county prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Additionally as discussed in Note 1, the County recognizes cash receipts when received by the County Treasurer rather than by other county officeholders and, accordingly, delays reporting cash receipts as cash revenue for a month at year end. Cash basis accounting principles, which is another comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, require that the County recognize cash receipts when received by any county officeholder which would increase the cash assets and fund balances and change the cash revenues in the General Revenue Fund and Special Road and Bridge Fund governmental funds. The amount by which this departure would affect the assets, fund balances, and revenues of the General Revenue Fund and Special Road and Bridge Fund of Audrain County is not reasonably determinable.

MEMBER

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American
Institute of
Certified
Public
Accountants

•
Missouri
Society of
Certified
Public
Accountants

In our opinion, except for the effects of not recognizing cash receipts until received by the Audrain County Treasurer for the General Revenue Fund and Special Road and Bridge Fund governmental funds as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the major and nonmajor governmental funds of Audrain County, Missouri as of December 31, 2007 and 2006, with the respective changes in cash basis financial position for the years then ended in conformity with the cash basis of accounting which is another comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2008 on our consideration of Audrain County, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in Note 1 to the basic financial statements, Audrain County, Missouri, implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statements No 34 and No. 37, *Basic Financial Statements – and Managements' Discussion and Analysis-for State and Local Governments*, as of January 1, 2006.

Audrain County, Missouri, has not presented the Managements' Discussion and Analysis that accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting has determined to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the county's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Audrain County, Missouri. The Schedule of Expenditures of Federal Awards 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 on the basis of accounting described in Note 1.

Original Signed by Auditor
Casey and Company, L.L.C.
Certified Public Accountants
Columbia, Missouri

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

AUDRAIN COUNTY, MISSOURI
STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2007 AND 2006

	Governmental Activities	
	2007	2006
ASSETS		
Cash and cash equivalents	\$ 5,889,483	\$ 4,791,473
Investments	430,000	430,000
Total Assets	\$ 6,319,483	\$ 5,221,473
NET ASSETS		
Restricted for:		
Roads and Bridges	\$ 2,878,628	\$ 2,258,375
Public Safety	501,528	325,261
Other nonmajor governmental funds	1,894,931	2,198,745
Unrestricted	1,044,396	439,092
Total Net Assets	\$ 6,319,483	\$ 5,221,473

**THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT.**

**AUDRAIN COUNTY, MISSOURI
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

		Program Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
General county government	\$ (1,620,688)	\$ 902,710	\$ 815,046	\$ 97,068
Roads and bridges	(3,523,643)	-	1,657,286	(1,866,357)
Public safety	(4,024,104)	-	301,075	(3,723,029)
Health and welfare	(602,290)	-	-	(602,290)
Other	(564,456)	-	-	(564,456)
NET PROGRAM (DISBURSEMENTS) RECEIPTS	\$ (10,335,181)	\$ 902,710	\$ 2,773,407	\$ (6,659,064)
GENERAL RECEIPTS				
Taxes				
Property taxes				\$ 2,295,127
Sales taxes				4,486,562
Interest				342,885
Other				632,500
Total General Receipts				\$ 7,757,074
Increase in Net Assets				1,098,010
NET ASSETS, JANUARY 1				\$ 5,221,473
NET ASSETS, DECEMBER 31				\$ 6,319,483

**THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT.**

**AUDRAIN COUNTY, MISSOURI
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

		Program Receipts		Net (Disbursements)
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Receipts and Changes in Net Assets
GOVERNMENTAL ACTIVITIES				
General county government	\$ (1,850,135)	\$ 733,481	\$ 1,004,598	\$ (112,056)
Roads and bridges	(2,958,286)	-	1,227,798	(1,730,488)
Public safety	(3,989,993)	-	282,816	(3,707,177)
Health and welfare	(550,867)	-	-	(550,867)
Other	(581,051)	-	-	(581,051)
NET PROGRAM (DISBURSEMENTS) RECEIPTS	\$ (9,930,332)	\$ 733,481	\$ 2,515,212	\$ (6,681,639)
GENERAL RECEIPTS				
Taxes				
Property taxes			\$ 1,910,772	
Sales taxes			4,240,784	
Interest			240,940	
Other			702,681	
Total General Receipts			\$ 7,095,177	
Increase in Net Assets				413,538
NET ASSETS, JANUARY 1			\$	4,807,935
NET ASSETS, DECEMBER 31			\$	5,221,473

**THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT.**

FUND FINANCIAL STATEMENTS

AUDRAIN COUNTY, MISSOURI
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES - GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	MAJOR SPECIAL REVENUE FUNDS					Other	Total
	General	Special	Bridge	Law Enforcement	Emergency	Nonmajor	Total
	Fund	Road and Bridge Fund	Trust Fund	Sales Tax Fund	911 Fund	Governmental Funds	Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 1,044,396	\$ 1,100,048	\$ 1,778,580	\$ 2,439	\$ 499,089	\$ 1,464,931	\$ 5,889,483
Investments	-	-	-	-	-	430,000	430,000
Total Assets	<u>\$ 1,044,396</u>	<u>\$ 1,100,048</u>	<u>\$ 1,778,580</u>	<u>\$ 2,439</u>	<u>\$ 499,089</u>	<u>\$ 1,894,931</u>	<u>\$ 6,319,483</u>
FUND BALANCES							
Unreserved	\$ 1,044,396	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,044,396
Unreserved special revenue fund	-	1,100,048	1,778,580	2,439	499,089	-	3,380,156
Unreserved reported in nonmajor funds	-	-	-	-	-	1,894,931	1,894,931
Total Fund Balances	<u>\$ 1,044,396</u>	<u>\$ 1,100,048</u>	<u>\$ 1,778,580</u>	<u>\$ 2,439</u>	<u>\$ 499,089</u>	<u>\$ 1,894,931</u>	<u>\$ 6,319,483</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

AUDRAIN COUNTY, MISSOURI
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES - GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	MAJOR SPECIAL REVENUE FUNDS					Other Nonmajor Governmental Funds	Total Governmental Funds
	General	Special	Bridge	Law Enforcement	Emergency		
	Fund	Road and Bridge Fund	Trust Fund	Sales Tax Fund	911 Fund		
ASSETS							
Cash and cash equivalents	\$ 439,092	\$ 954,410	\$ 1,303,965	\$ 323	\$ 324,938	\$ 1,768,745	\$ 4,791,473
Investments	-	-	-	-	-	430,000	430,000
Total Assets	<u>\$ 439,092</u>	<u>\$ 954,410</u>	<u>\$ 1,303,965</u>	<u>\$ 323</u>	<u>\$ 324,938</u>	<u>\$ 2,198,745</u>	<u>\$ 5,221,473</u>
FUND BALANCES							
Unreserved	\$ 439,092	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 439,092
Unreserved special revenue fund	-	954,410	1,303,965	323	324,938	-	2,583,636
Unreserved reported in nonmajor funds	-	-	-	-	-	2,198,745	2,198,745
Total Fund Balances	<u>\$ 439,092</u>	<u>\$ 954,410</u>	<u>\$ 1,303,965</u>	<u>\$ 323</u>	<u>\$ 324,938</u>	<u>\$ 2,198,745</u>	<u>\$ 5,221,473</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

AUDRAIN COUNTY, MISSOURI
CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2007

	MAJOR SPECIAL REVENUE FUNDS					Other	Total
	General	Special Road and	Bridge Trust	Law Enforcement	Emergency	Nonmajor	Total
	Fund	Bridge Fund	Fund	Sales Tax	911	Governmental	Governmental
			Fund	Fund	Fund	Funds	Funds
RECEIPTS							
Property Taxes	\$ 555,853	\$ 1,172,548	\$ -	\$ -	\$ -	\$ 566,726	\$ 2,295,127
Sales Taxes	1,197,700	-	1,197,401	1,197,415	894,046	-	4,486,562
Intergovernmental	478,246	881,453	775,833	301,075	-	336,800	2,773,407
Charges for services	731,303	-	-	-	-	171,407	902,710
Interest	73,072	84,951	70,026	13,330	17,570	83,936	342,885
Other	100,976	31,684	-	3,410	-	496,430	632,500
Total Receipts	<u>\$ 3,137,150</u>	<u>\$ 2,170,636</u>	<u>\$ 2,043,260</u>	<u>\$ 1,515,230</u>	<u>\$ 911,616</u>	<u>\$ 1,655,299</u>	<u>\$ 11,433,191</u>
DISBURSEMENTS							
General county government	\$ 1,237,775	\$ -	\$ -	\$ -	\$ -	\$ 382,913	\$ 1,620,688
Roads and Bridges	-	1,974,998	1,548,645	-	-	-	3,523,643
Public safety	697,041	-	-	2,108,114	737,465	481,484	4,024,104
Health and Welfare	72,030	-	-	-	-	530,260	602,290
Other	-	-	-	-	-	564,456	564,456
Total Disbursements	<u>\$ 2,006,846</u>	<u>\$ 1,974,998</u>	<u>\$ 1,548,645</u>	<u>\$ 2,108,114</u>	<u>\$ 737,465</u>	<u>\$ 1,959,113</u>	<u>\$ 10,335,181</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ 1,130,304</u>	<u>\$ 195,638</u>	<u>\$ 494,615</u>	<u>\$ (592,884)</u>	<u>\$ 174,151</u>	<u>\$ (303,814)</u>	<u>\$ 1,098,010</u>
OTHER FINANCING SOURCES (USES)							
Transfers In	\$ 70,000	\$ -	\$ -	\$ 595,000	\$ -	\$ -	\$ 665,000
Transfers Out	(595,000)	(50,000)	(20,000)	-	-	-	(665,000)
Total Other Financing Sources (Uses)	<u>\$ (525,000)</u>	<u>\$ (50,000)</u>	<u>\$ (20,000)</u>	<u>\$ 595,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Receipts and Other Financing Sources (Uses) Over (Under) Disbursements	605,304	145,638	474,615	2,116	174,151	(303,814)	1,098,010
CASH BASIS FUND BALANCES, JANUARY 1	\$ 439,092	\$ 954,410	\$ 1,303,965	\$ 323	\$ 324,938	\$ 2,198,745	\$ 5,221,473
CASH BASIS FUND BALANCES, DECEMBER 31	<u>\$ 1,044,396</u>	<u>\$ 1,100,048</u>	<u>\$ 1,778,580</u>	<u>\$ 2,439</u>	<u>\$ 499,089</u>	<u>\$ 1,894,931</u>	<u>\$ 6,319,483</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

AUDRAIN COUNTY, MISSOURI
CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2006

	MAJOR SPECIAL REVENUE FUNDS					Other	Total
	General	Special Road and	Bridge Trust	Law Enforcement	Emergency	Nonmajor	Total
	Fund	Bridge Fund	Fund	Sales Tax	911	Governmental	Governmental
			Fund		Fund	Funds	Funds
RECEIPTS							
Property Taxes	\$ 506,184	\$ 949,190	\$ -	\$ -	\$ -	\$ 455,398	\$ 1,910,772
Sales Taxes	1,133,228	-	1,132,897	566,431	841,797	566,431	4,240,784
Intergovernmental	499,460	884,447	343,351	282,816	-	505,138	2,515,212
Charges for services	579,329	-	-	-	-	154,152	733,481
Interest	77,004	47,017	17,030	28,619	11,564	59,706	240,940
Other	99,098	34,124	-	12,861	88	556,510	702,681
Total Receipts	\$ 2,894,303	\$ 1,914,778	\$ 1,493,278	\$ 890,727	\$ 853,449	\$ 2,297,335	\$ 10,343,870
DISBURSEMENTS							
General county government	\$ 1,262,741	\$ -	\$ -	\$ -	\$ -	\$ 587,394	\$ 1,850,135
Roads and Bridges	-	1,948,568	1,009,718	-	-	-	2,958,286
Public safety	748,956	-	-	2,152,734	592,463	495,840	3,989,993
Health and Welfare	70,867	-	-	-	-	480,000	550,867
Other	-	-	-	-	-	581,051	581,051
Total Disbursements	\$ 2,082,564	\$ 1,948,568	\$ 1,009,718	\$ 2,152,734	\$ 592,463	\$ 2,144,285	\$ 9,930,332
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 811,739	\$ (33,790)	\$ 483,560	\$ (1,262,007)	\$ 260,986	\$ 153,050	\$ 413,538
OTHER FINANCING SOURCES (USES)							
Transfers In	\$ 70,000	\$ -	\$ -	\$ 1,281,500	\$ -	\$ -	\$ 1,351,500
Transfers Out	(1,281,500)	(50,000)	(20,000)	-	-	-	(1,351,500)
Total Other Financing Sources (Uses)	\$ (1,211,500)	\$ (50,000)	\$ (20,000)	\$ 1,281,500	\$ -	\$ -	\$ -
Receipts and Other Financing Sources (Uses) Over (Under) Disbursements	(399,761)	(83,790)	463,560	19,493	260,986	153,050	413,538
CASH BASIS FUND BALANCES, JANUARY 1	\$ 838,853	\$ 1,038,200	\$ 840,405	\$ (19,170)	\$ 63,952	\$ 2,045,695	\$ 4,807,935
CASH BASIS FUND BALANCES, DECEMBER 31	\$ 439,092	\$ 954,410	\$ 1,303,965	\$ 323	\$ 324,938	\$ 2,198,745	\$ 5,221,473

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

AUDRAIN COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2007 AND 2006

	FIDUCIARY FUNDS	
	2007	2006
ASSETS		
Cash	\$ <u>10,533,033</u>	\$ <u>7,498,941</u>
Total Assets	\$ <u><u>10,533,033</u></u>	\$ <u><u>7,498,941</u></u>
LIABILITIES		
Due to others	\$ <u>10,533,033</u>	\$ <u>7,498,941</u>
Total Liabilities	\$ <u><u>10,533,033</u></u>	\$ <u><u>7,498,941</u></u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

As discussed further in Note 1.C., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The GASB is responsible for establishing generally accepted accounting principles for state and local governments. The significant accounting policies related to those principles and used by the county are described below.

1. A. FINANCIAL REPORTING ENTITY

A financial reporting entity consists of (1) the primary government, (2) component units, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. The primary government of Audrain County consists of all funds/boards that are not legally separate from the county. These boards/funds consist of the County Hospital Board Fund, Emergency Services (E911) Board Fund, and the Handicapped Services Board Fund. The Audrain County Handicapped Services Board Fund is not presented as it has its own independent audit. Funds/boards independent and legally separate from the County include the Audrain County-City Health Unit. It has a separate governing board and meets the criteria of being its own primary government. In determining the financial reporting entity, the county complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Component units are legally separate organizations for which the county government is financially accountable. The county is financially accountable for an organization if the county appoints a voting majority of the organization's governing board and (1) is able to significantly influence the programs or services provided or performed by the organization or (2) is legally entitled to and or can otherwise access the organization's resources; is legally obligated for or has otherwise assumed the obligation to finance the organization's deficits or provide financial support to it; or is obligated in some manner for the organization's debt. Component units also may include organizations that are fiscally dependent on the county because their budgets, tax levies, or debt issuances are approved by the county. Based on application of the above criteria, the county has no component units.

1. B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements display information about the County as a whole. These statements include the financial activities of the primary government, except for the activities of the fiduciary funds. The primary government's financial activities are required to be classified as governmental or business-like. Governmental activities generally are financed through taxes, intergovernmental receipts, and other nonexchange transactions. Business-like activities are financed wholly or partially by fees charged to external parties for goods or services. The County has no business-like activities.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a

**AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses.

Funds are organized into two major categories: governmental and proprietary. The County has no proprietary funds but does have fiduciary funds. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the County and meets the following criteria:

- a. Total assets, revenues, or expenditures/expenses of that individual governmental fund are at least 10% of the corresponding total for all funds of that category, and
- b. Total assets, revenues or expenditures/expenses of the individual governmental fund are at least 5% of the corresponding total for all governmental funds combined.

The County's financial statements are structured into two categories of funds – governmental and fiduciary. Governmental funds are those through which most governmental functions typically are financed. Reporting for such funds focuses on the sources, uses, and balances of current resources. The county's major governmental funds consist of the following:

GOVERNMENTAL FUNDS:

General Fund:

The General Fund is the primary operating fund of the county and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the county. The following special revenue funds are considered major funds of the county.

Special Road and Bridge Fund: This fund accounts for property tax collections and other receipts that are legally restricted to disbursements for road and bridge purposes.

Bridge Trust Fund: This fund accounts for intergovernmental receipts that are legally restricted to disbursements for road and bridge purposes.

Law Enforcement Sales Tax Fund: This fund accounts for sales taxes and other receipts that are legally restricted to disbursements for law enforcement purposes.

Emergency 911 Fund: This fund accounts for charges for services and other receipts that are legally restricted to disbursements for emergency 911 purposes.

**AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

The special revenue funds of the county not considered to be major funds are aggregated as other nonmajor governmental funds.

Separate from major funds and aggregated nonmajor funds are the fiduciary funds. Fiduciary funds account for assets held by the county elected officials as a trustee or an agent for individuals, private organizations, or other governments. Fiduciary fund reporting focuses on net assets; fiduciary assets are reported in a separate Statement of Fiduciary Net Assets because the county cannot use those assets to finance its operations. The county's fiduciary funds consist of agency funds, which report assets held in a purely custodial capacity and do not involve measurement of results of operations.

1. C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Audrain County, Missouri, has implemented a new financial reporting model, as required by the provisions of GASB Statements No. 34 and No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of December 31, 2005.

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus, within the limitations of the cash basis of accounting, as defined below. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the cash basis of accounting, is used as appropriate. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and fund balance are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental activities are presented using the cash basis of accounting. This basis recognizes amounts when received or disbursed in cash. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Generally accepted accounting principles for state and local governments require revenues to be recognized when they are earned or when they become available and measurable and expenditures or expenses to be recognized when the related liabilities are incurred. If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the

**AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

modified accrual basis of accounting and all government-wide financials would be presented on the accrual basis of accounting.

Property tax receipts are recognized when the County Treasurer receives them from the County Collector instead of when received by the County Collector. Some other lesser receipts from other County officials are also recognized only when received by the Treasurer. This practice is a departure from cash basis accounting and is followed by all third class counties (the counties with the smallest revenue base) in Missouri. Cash basis accounting requires all receipts be recognized in the County's funds when received instead of when turned over to the County Treasurer. This practice of late recognition is consistent between years and is largely completed by the end of January each year.

1. D. ASSETS AND EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and all nonnegotiable certificates of deposit.

INVENTORIES AND CAPITAL ASSETS

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

LONG-TERM DEBT

Long-term debt arising from cash transactions are recorded as disbursements when bond or loan principal and interest payments are made.

EQUITY CLASSIFICATION

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted".

It is the county's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Fund Financial Statements

Governmental fund equity is classified as fund balance and also may be displayed in two components; reserved and unreserved. Fund balance is reported as reserved to indicate that a portion of the fund balance is not available for appropriation or is legally segregated for a specific future use. When such restrictions do not exist, fund balance is reported as unreserved.

1. E. REVENUES, EXPENDITURES, AND EXPENSES

In the Statement of Activities, cash basis revenues that are derived directly from each activity or from parties outside the county's taxpayers are reported as program receipts. The County has the following program receipts in each activity:

General county government	Charges for services revenues and operating grants and distributions from local, state, or federal government agencies.
Roads and bridges	Operating grants and distributions from the state of Missouri.
Public safety	Charges for services revenues and operating grants and distributions from local, state, or federal government agencies.
Health and Welfare	Charges for services revenues.

All other governmental receipts are reported as general and all taxes are classified as general revenues.

1. F. INTERNAL ACTIVITIES

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

Government-Wide Financial Statements

Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

Fund Financial Statements

Interfund transfers occurred primarily because they were statutorily required or allowed, such as transfer of an administrative service fee to the General Fund from the Special Road and Bridge Fund and Bridge Trust Fund or contributions of General Fund monies to the Law Enforcement Sales Tax Fund to pay for general operating costs.

1. G. USE OF ESTIMATES

The preparation of financial statements in conformity with the cash basis of accounting used by the County requires management to make estimates and assumptions that

**AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

By its nature as a local government unit, the county and the respective boards are subject to various federal, state, and local laws and contractual obligations. The following instances of noncompliance are not considered material to the basic financial statements.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2. A. UNINSURED AND UNCOLLATERALIZED DEPOSITS

In accordance with State law, all uninsured deposits of County funds in financial institutions must be secured with acceptable collateral. Information on these deposits and investments and the collateral is provided below in Note 3.A. For the purposes of analyzing risk to County funds, deposits with financial institutions include all demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit union.

2. B. BUDGETARY NONCOMPLIANCE

For the years ended December 31, 2007 and 2006, disbursements did not exceed the budgeted amounts at the legal level of control for any county major fund.

2.C. PUBLISHED FINANCIAL STATEMENTS

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. The county's published financial statements for the years ended December 31, 2007 and 2006 included all respective funds of the county; however, the Special Law Bond Fund did not include the cash and investments held by the investment bank. The Emergency 911 Board did not publish its financial statements for the years ended December 31, 2007 and 2006.

NOTE 3: DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for various assets, equity, receipts, and disbursements.

3. A. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Custodial Credit Risk – Deposits

The table presented below is designed to disclose the level of custodial credit risk assumed by the primary government of the County based upon how its deposits were insured or secured with collateral at December 31, 2007 and 2006. The categories of custodial credit risk are defined as follows:

**AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

NOTE 3: DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

Category 1- Insured by Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the county or by its agent in its name.

Category 2- Uninsured but collateralized with securities held by the pledging Financial institution’s trust department or agent in the county’s name.

Category 3- Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the county’s name; or properly collateralized with no written and approved collateral agreement.

December 31, 2007

Type of Deposits	Total Bank Balances	Custody Credit Risk Category			Total Carrying Value
		1	2	3	
Bank deposits	\$ 5,521,483	\$ 5,521,483	-	-	
Certificates of deposit	1,425,136	1,425,136	-	-	
Total Deposits	\$ 6,946,619	\$ 6,946,619	-	-	\$ 5,889,483

Reconciliation to Statement of Net Assets:

Cash and cash equivalents	\$ 5,889,483
Total	\$ 5,889,483

December 31, 2006

Type of Deposits	Total Bank Balances	Custody Credit Risk Category			Total Carrying Value
		1	2	3	
Bank deposits	\$ 4,130,001	\$ 4,130,001	-	-	
Certificates of deposit	1,384,604	1,384,604	-	-	
Total Deposits	\$ 5,514,605	\$ 5,514,605	-	-	\$ 4,791,473

Reconciliation to Statement of Net Assets:

Cash and cash equivalents	\$ 4,791,473
Total	\$ 4,791,473

Fiduciary net assets held on behalf of various county officials were entirely covered by FDIC insurance and collateral securities at December 31, 2007 and 2006.

Investments and Custodial Credit Risk

Investments are limited by State law to the following:

**AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

NOTE 3: DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

During the years ended December 31, 2007 and 2006, the county's nonnegotiable certificates of deposit with maturity dates ranging from April 24, 2008 to December 20, 2008 and interest rates ranging from 3.8 to 5.1 percent are included in cash and cash equivalents. For purposes of custodial credit risk, the certificates of deposit are included in the preceding deposits risk analysis. The Emergency 911 Board had repurchase agreements at December 31, 2007 and 2006 of \$398,018 and \$244,890, respectively, which also are included in cash and cash equivalents.

At December 31, 2007 and 2006, the county had an investment in a U.S. Treasury note for \$430,000 held by an administrative bank for the Special Law Enforcement Jail Bond Fund. The Treasury note had an interest rate of 3.375 percent and due April 15, 2009.

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The primary government of the County has not adopted such a policy.

3. B. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in September and payable by December 31. Taxes paid after December 31 are delinquent and subject to penalties. The County bills and collects its own property taxes and also taxes for most other local governments in the county. Collections for other

**AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

NOTE 3: DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

governments and remittances to those governments by the County Treasurer are accounted for in various County Treasurer’s fiduciary funds.

The assessed valuation of the tangible property for the calendar year 2007 and 2006 for purposes of local taxation was \$317,274,213 and \$270,620,447, respectively. The levy per \$100 of the assessed valuation of tangible property for the calendar year 2007 and 2006 for purposes of local taxation was:

		<u>2007</u>		<u>2006</u>
General Revenue Fund	\$	0.1891	\$	0.1646
Special Road and Bridge Fund	\$	0.2811	\$	0.2878
County Hospital	\$	0.1770	\$	0.1812

The Special Road and Bridge Fund retains all tax proceeds from areas not within special road districts and also receives 20% of the tax proceeds of the general levies on four special road districts for administrative purposes.

3. C. RESTRICTED ASSETS/LONG-TERM DEBT

The County has restricted assets only to the special revenue funds at December 31, 2007 and 2006 with restricted funds for debt retirement. The County has long-term debt at December 31, 2007 and 2006 of \$3,450,000 and \$3,735,000, respectively, for the Audrain County Missouri Public Facilities Corporation Leasehold Refunding Revenue Bonds (Audrain County Missouri Law Enforcement and Correctional Facility Project, Series 2004). Interest rates on these outstanding bonds range from 1.5% to 4.6% and the bonds are due June 1, 2017. Bond principal and interest payments are recorded in the Law Enforcement Bond Fund. At December 31, 2007, the County has \$13,337 held in a Debt Service Fund, \$435,546 in a Reserve Fund, and \$307 in an Escrow Fund at the administrative bank holding the bonds.

Annual debt service requirements for the Audrain County Correctional Facility, including principal and interest as of December 31, 2007 are as follows:

<u>Year Ended December 31,</u>		<u>Principal</u>		<u>Interest</u>
2008	\$	295,000	\$	132,547
2009		305,000		123,090
2010		310,000		112,633
2011		325,000		101,114
2012		335,000		88,487
2013-2017		<u>1,880,000</u>		<u>215,740</u>
Totals	\$	<u>3,450,000</u>	\$	<u>773,611</u>

In addition, the County has long-term debt in the General Revenue Fund for a courthouse renovation loan. The County obtained the loan in August 2004 for \$620,000 and at December 31, 2007, the total principal amount outstanding on the loan is \$263,607.

The maturity date of the loan is January 1, 2011, and interest rates range from 3.786% to 4.137%.

**AUDRAIN COUNTY, MISSOURI
 NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

NOTE 3: DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

3. D. INTERFUND TRANSFERS

Transfers between funds of the primary government for the years ended December 31, 2007 and 2006 were as follows:

	<u>Year Ended December 31, 2007</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
MAJOR FUNDS:		
General Revenue Fund:		
Special Road and Bridge Fund	\$ 50,000	\$ -
Bridge Trust Fund	20,000	-
Law Enforcement Sales Tax Fund	-	595,000
Special Road and Bridge Fund:		
General Revenue Fund	-	50,000
Bridge Trust Fund:		
General Revenue Fund	-	20,000
Law Enforcement Sales Tax Fund:		
General Revenue Fund	595,000	-
Grand Totals	\$ <u>665,000</u>	\$ <u>665,000</u>

	<u>Year Ended December 31, 2006</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
MAJOR FUNDS:		
General Revenue Fund:		
Special Road and Bridge Fund	\$ 50,000	\$ -
Bridge Trust Fund	20,000	-
Law Enforcement Sales Tax Fund	-	1,281,500
Special Road and Bridge Fund:		
General Revenue Fund	-	50,000
Bridge Trust Fund:		
General Revenue Fund	-	20,000
Law Enforcement Sales Tax Fund:		
General Revenue Fund	1,281,500	-
Grand Totals	\$ <u>1,351,500</u>	\$ <u>1,351,500</u>

The transfer from Special Road and Bridge Fund and Bridge Trust Fund to the General Revenue Fund is based upon a statutory authority for administrative purposes. The transfer from General Revenue Fund to the Law Enforcement Sales Tax Fund is for transferring part of the law enforcement sales tax received by the county to that fund for operations.

NOTE 4: OTHER NOTES

4. A. COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

The county provides vacation leave to its employees. Full-time county employees accrue vacation leave of 5 days after the first year of service, 10 days after two years of service, 15 days after five years of service, and 20 days after fifteen years of service.

**AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

NOTE 4: OTHER NOTES (CONTINUED)

Employees may not carry vacation leave over to the following year except when the employee anniversary date is within the last quarter of the year in which 1 week may be taken in the following year. Any employee with benefits leaving county service shall be compensated for unused vacation prorated on a quarterly basis.

Full-time county employees accrue personal leave (sick leave) at 8 hours monthly. Personal leave can be accumulated to a maximum of thirty-six days. Personal leave is not paid upon termination of employment with the county. Vacation and personal leave amounts are reported as disbursements when they are paid.

Accrued liabilities related to compensated absences and any employer-related costs earned and unpaid are not reflected in the government-wide or fund financial statements. The County has not restricted any net assets or reserved any fund balance for these commitments.

OTHER POST-EMPLOYMENT BENEFITS

The county does not provide post employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). Under the COBRA the county provides health care benefits to eligible former employees and their dependents. The premiums are paid by the former employees. The county incurs no cost for these benefits.

4. B. RETIREMENT PLANS

DEFINED BENEFIT PENSION PLAN

Plan Description

Audrain County contributes to the County Employees' Retirement Fund (CERF), a mandatory cost-sharing multiple-employer public employee retirement system for Missouri counties, excluding first-class counties with a charter form of government and any city not within a county. The CERF, a defined benefit plan, provides retirement and death benefits to its members and is administered in accordance with Sections 50.1000 through 50.1300, RSMo. Responsibility for the operation and administration of the system is vested in the CERF Board of Directors. The CERF issues a publicly available financial report that includes financial statements and required supplementary information. Copies of the report may be requested from the County Employees' Retirement System, 2121 Schotthill Woods Drive, Jefferson City, Mo 65101.

Funding Policy

Before January 1, 2003, members, except for those who participated in the Local Government Employees Retirement System (LAGERS), were required to make contributions equal to 2 percent of gross compensation. Effective January 1, 2003, in addition to the prior contribution requirements, members hired on or after February 25, 2002, must contribute 4 percent if they participate in the LAGERS and 6 percent if they do not participate in it. If an employee terminates employment before attaining 8 years of creditable service, the CERF refunds the accumulated contributions to the employee. The contribution rate is set by statute.

**AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

NOTE 4: OTHER NOTES (CONTINUED)

In addition, the CERF receives a portion of delinquent property tax penalties, penalties for late filing of personal property tax declarations, a portion of document recording fees, a portion of fees for merchants and manufacturers' licenses, and any interest derived from the collection and investment of any part of the penalties and fees. The Office of Secretary of State also collects and remits fees for certain filing transactions to the system. Due to a credit build up, the County did not contribute any monies to the CERF during the two years ended December 31, 2007.

LAGERS

Plan Description

Audrain County participates in the Missouri Local Government Employee Retirement System (LAGERS), an agent multiple-employer public employee retirement system (PERS) 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 is governed by state statute 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 401a and it is tax exempt. The system's annual financial report and other disclosure information are available on the LAGERS website at www.molagers.org or by calling (800) 447-4334.

Funding Policy

Audrain County's full-time employees do not contribute to the pension plan since the plan is non-contributory with the employees' part paid by the County. The county is required to contribute at an actuarially determined rate; the current rate at December 31, 2007 is 7.7% (general) and 3.6% (police) of annual covered payroll. The County Commission determines the contribution requirements of plan members. The contribution provisions of the county are established by state statute. The county contributed \$148,237 in 2007 and \$168,987 in 2006 to the system.

4. C. DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

Plan Description

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

Contributions

Pension plan members who are not LAGERS members are required to contribute .7 percent of gross compensation to the defined contribution plan. Participation in the deferred compensation plan is voluntary and the employee elects the contribution level, subject to the limitations of IRC Sections 401(a) and 457.

**AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

NOTE 4: OTHER NOTES (CONTINUED)

The CERF Board of Directors decides if matching contributions from the pension plan trust funds for a calendar year will be made to the defined contribution plan accounts of those who participated in the deferred compensation plan. The amount of any matching contribution is determined by the Board and is limited to 50 percent of a non-LAGERS member's (25 percent of a LAGERS member's) voluntary contributions to the deferred compensation plan, up to 3 percent of the non-LAGERS member's (2.5 percent for the LAGERS member's) compensation.

Administration

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

4. D. RISK MANAGEMENT

The county carries commercial insurance through an insurance company for various risks of loss to which it is exposed, including risks related to torts; theft of, damage to, or destruction of assets; natural disasters; errors and omissions; injuries to employees; and employees' health and life. County management believes such coverage is sufficient to preclude any significant uninsured losses to the county.

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

4. E. COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 2007, the Emergency 911 Board owed the city of Vandalia \$125,000 for expenses paid by the city on behalf of the board for 911 operations. The board has indicated that this amount will be paid in full during the year ended December 31, 2008.

4. F. PRIOR PERIOD ADJUSTMENTS

The cash balances of various nonmajor governmental funds as presented in the prior audit report at December 31, 2005, have been adjusted as follows as presented in total in the fund financial statements:

AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 4: OTHER NOTES (CONTINUED)

	2006 Beginning Cash	2006 Beginning Net Assets
	<u> </u>	<u> </u>
Nonmajor Governmental Funds as previously stated	\$ 1,598,091	\$ 1,598,091
Correction of accounting errors-		
Cemeteries understated	97	97
Prosecuting Attorney Delinquent Tax Fund understated	282	282
Circuit Clerk Passport Fund excluded	2,400	2,400
Special Law Enforcement Bond cash and investments excluded	<u>444,825</u>	<u>444,825</u>
Total correction of errors	<u>447,604</u>	<u>447,604</u>
Nonmajor Governmental Funds as restated	\$ <u><u>2,045,695</u></u>	\$ <u><u>2,045,695</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

AUDRAIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL REVENUE FUND
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Year Ended December 31,							
	2007				2006			
	Original Budget	Amended Budget	Actual	Actual Over (Under) Budget	Original Budget	Amended Budget	Actual	Actual Over (Under) Budget
RECEIPTS								
Property taxes	\$ 566,000	566,000	555,853	(10,147)	\$ 557,000	557,000	506,184	(50,816)
Sales taxes	1,160,000	1,160,000	1,197,700	37,700	1,110,000	1,110,000	1,133,228	23,228
Intergovernmental	527,900	527,900	478,246	(49,654)	519,600	519,600	499,460	(20,140)
Charges for services	582,000	582,000	731,303	149,303	542,500	542,500	579,329	36,829
Interest	55,000	55,000	73,072	18,072	20,000	20,000	77,004	57,004
Other	49,500	49,500	100,976	51,476	101,500	101,500	99,098	(2,402)
Transfers in	70,000	70,000	70,000	-	70,000	70,000	70,000	-
Total Receipts	\$ 3,010,400	3,010,400	3,207,150	196,750	\$ 2,920,600	2,920,600	2,964,303	43,703
DISBURSEMENTS								
General County Government-								
County Commission	\$ 102,675	102,675	102,620	(55)	\$ 102,675	102,675	102,461	(214)
County Clerk	118,750	118,750	107,383	(11,367)	128,150	128,150	118,875	(9,275)
Elections	31,030	31,030	10,672	(20,358)	70,200	70,200	48,758	(21,442)
Buildings and grounds	277,840	277,840	246,204	(31,636)	274,240	274,240	241,591	(32,649)
Employee fringe benefits	270,500	270,500	228,588	(41,912)	275,500	275,500	247,888	(27,612)
County Treasurer	53,375	53,375	50,054	(3,321)	47,170	47,170	46,217	(953)
County Collector	90,450	90,450	90,317	(133)	95,850	95,850	85,328	(10,522)
Recorder of Deeds	95,800	95,800	89,462	(6,338)	93,790	93,790	90,969	(2,821)
Circuit Clerk	19,000	19,000	14,364	(4,636)	30,500	30,500	14,635	(15,865)
Associate Circuit Court	3,850	3,850	1,094	(2,756)	4,300	4,300	458	(3,842)
Associate Circuit (Probate)	47,450	47,450	19,397	(28,053)	28,186	28,186	21,067	(7,119)
Court Administration	17,800	17,800	16,407	(1,393)	25,000	25,000	13,091	(11,909)
Public Administrator	47,900	47,900	46,781	(1,119)	46,700	46,700	46,021	(679)
Other	18,105	18,105	17,316	(789)	9,025	9,025	7,700	(1,325)
Other General County Government	196,500	196,500	197,116	616	193,085	193,085	177,682	(15,403)
Public safety-								
Prosecuting Attorney	415,950	415,950	354,955	(60,995)	425,050	425,050	382,856	(42,194)
Juvenile Officer	325,557	325,557	316,305	(9,252)	324,400	324,400	291,736	(32,664)
County Coroner	29,673	29,673	25,781	(3,892)	28,323	28,323	26,505	(1,818)
Other - 911	-	-	-	-	50,000	50,000	47,859	(2,141)
Health and welfare	73,500	73,500	72,030	(1,470)	74,500	74,500	70,867	(3,633)
Transfers out	701,000	701,000	595,000	(106,000)	1,309,000	1,309,000	1,281,500	(27,500)
Emergency fund	91,000	91,000	-	(91,000)	87,000	87,000	-	(87,000)
Total Disbursements	\$ 3,027,705	3,027,705	2,601,846	(425,859)	\$ 3,722,644	3,722,644	3,364,064	(358,580)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(17,305)	(17,305)	605,304	622,609	(802,044)	(802,044)	(399,761)	402,283
FUND BALANCE, JANUARY 1	439,092	439,092	439,092	-	838,853	838,853	838,853	-
FUND BALANCE, DECEMBER 31	\$ 421,787	421,787	1,044,396	622,609	\$ 36,809	36,809	439,092	402,283

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

AUDRAIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Year Ended December 31,							
	2007				2006			
	Original Budget	Amended Budget	Actual	Actual Over (Under) Budget	Original Budget	Amended Budget	Actual	Actual Over (Under) Budget
RECEIPTS								
Property taxes	\$ 1,011,200	1,011,200	1,172,548	161,348	\$ 1,003,700	1,003,700	949,190	(54,510)
Intergovernmental	870,300	870,300	881,453	11,153	898,300	898,300	884,447	(13,853)
Interest	45,000	45,000	84,951	39,951	15,000	15,000	47,017	32,017
Other	18,000	18,000	31,684	13,684	16,500	16,500	34,124	17,624
Total Receipts	\$ 1,944,500	1,944,500	2,170,636	226,136	\$ 1,933,500	1,933,500	1,914,778	(18,722)
DISBURSEMENTS								
Salaries	\$ 365,000	365,000	337,780	(27,220)	\$ 380,000	380,000	342,669	(37,331)
Employee fringe benefits	175,000	175,000	138,991	(36,009)	177,500	177,500	150,724	(26,776)
Supplies	166,000	166,000	183,221	17,221	155,000	155,000	150,026	(4,974)
Insurance	35,000	35,000	31,366	(3,634)	35,000	35,000	34,532	(468)
Road & bridge materials	122,500	122,500	131,912	9,412	85,000	85,000	90,605	5,605
Equipment repairs	65,000	65,000	73,032	8,032	50,000	50,000	61,840	11,840
Rentals	1,000	1,000	459	(541)	1,000	1,000	-	(1,000)
Equipment purchases	5,000	5,000	4,607	(393)	293,000	293,000	254,312	(38,688)
Road and bridge construction	360,000	360,000	317,062	(42,938)	320,000	320,000	198,008	(121,992)
Apportionments to Special Road Districts	480,000	480,000	521,680	41,680	500,000	500,000	420,195	(79,805)
CART Road Districts	220,915	220,915	220,914	(1)	222,311	222,311	222,311	-
Other	87,500	87,500	13,974	(73,526)	88,600	88,600	23,346	(65,254)
Transfers out	50,000	50,000	50,000	-	50,000	50,000	50,000	-
Total Disbursements	\$ 2,132,915	2,132,915	2,024,998	(107,917)	\$ 2,357,411	2,357,411	1,998,568	(358,843)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(188,415)	(188,415)	145,638	334,053	(423,911)	(423,911)	(83,790)	340,121
FUND BALANCE, JANUARY 1	954,410	954,410	954,410	-	1,038,200	1,038,200	1,038,200	-
FUND BALANCE, DECEMBER 31	\$ 765,995	765,995	1,100,048	334,053	\$ 614,289	614,289	954,410	340,121

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

AUDRAIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BRIDGE TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Year Ended December 31,							
	2007				2006			
	Original Budget	Amended Budget	Actual	Actual Over (Under) Budget	Original Budget	Amended Budget	Actual	Actual Over (Under) Budget
RECEIPTS								
Sales taxes	\$ 1,160,000	1,160,000	1,197,401	37,401	\$ 1,110,000	1,110,000	1,132,897	22,897
Intergovernmental	1,036,000	1,036,000	775,833	(260,167)	895,000	895,000	343,351	(551,649)
Interest	15,000	15,000	70,026	55,026	5,000	5,000	17,030	12,030
Total Receipts	\$ 2,211,000	2,211,000	2,043,260	(167,740)	\$ 2,010,000	2,010,000	1,493,278	(516,722)
DISBURSEMENTS								
Salaries	\$ 240,600	240,600	229,268	(11,332)	\$ 241,100	241,100	231,542	(9,558)
Office expense	10,500	10,500	5,004	(5,496)	10,500	10,500	4,657	(5,843)
Equipment purchases	5,000	5,000	-	(5,000)	175,000	175,000	142,001	(32,999)
Mileage	3,000	3,000	479	(2,521)	3,000	3,000	1,195	(1,805)
Supplies	5,000	5,000	1,880	(3,120)	5,000	5,000	2,849	(2,151)
Bridge construction	2,386,000	2,386,000	1,312,014	(1,073,986)	1,770,000	1,770,000	627,474	(1,142,526)
Transfers out	20,000	20,000	20,000	-	20,000	20,000	20,000	-
Total Disbursements	\$ 2,670,100	2,670,100	1,568,645	(1,101,455)	\$ 2,224,600	2,224,600	1,029,718	(1,194,882)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(459,100)	(459,100)	474,615	933,715	(214,600)	(214,600)	463,560	678,160
FUND BALANCE, JANUARY 1	1,303,965	1,303,965	1,303,965	-	840,405	840,405	840,405	-
FUND BALANCE, DECEMBER 31	\$ 844,865	844,865	1,778,580	933,715	\$ 625,805	625,805	1,303,965	678,160

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**AUDRAIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LAW ENFORCEMENT SALES TAX FUND
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	Year Ended December 31,							
	2007				2006			
	Original Budget	Amended Budget	Actual	Actual Over (Under) Budget	Original Budget	Amended Budget	Actual	Actual Over (Under) Budget
RECEIPTS								
Sales taxes	\$ 1,160,000	1,160,000	1,197,415	37,415	\$ 555,000	555,000	566,431	11,431
Intergovernmental	357,000	357,000	301,075	(55,925)	325,000	325,000	282,816	(42,184)
Interest	15,000	15,000	13,330	(1,670)	5,000	5,000	28,619	23,619
Other	-	-	3,410	3,410	5,000	5,000	12,861	7,861
Transfers in	701,000	701,000	595,000	(106,000)	1,309,000	1,309,000	1,281,500	(27,500)
Total Receipts	\$ 2,233,000	2,233,000	2,110,230	(122,770)	\$ 2,199,000	2,199,000	2,172,227	(26,773)
DISBURSEMENTS								
Public Safety-								
Sheriff	\$ 887,250	887,250	860,211	(27,039)	\$ 877,550	877,550	800,645	(76,905)
Jail	998,590	998,590	930,987	(67,603)	972,475	972,475	1,033,605	61,130
Fringe benefits	335,000	335,000	316,916	(18,084)	325,933	325,933	318,484	(7,449)
Total Disbursements	\$ 2,220,840	2,220,840	2,108,114	(112,726)	\$ 2,175,958	2,175,958	2,152,734	(23,224)
RECEIPTS OVER (UNDER) DISBURSEMENTS	12,160	12,160	2,116	(10,044)	23,042	23,042	19,493	(3,549)
FUND BALANCE, JANUARY 1	323	323	323	-	(19,170)	(19,170)	(19,170)	-
FUND BALANCE, DECEMBER 31	\$ 12,483	12,483	2,439	(10,044)	\$ 3,872	3,872	323	(3,549)

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**AUDRAIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
EMERGENCY 911 FUND
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	Year Ended December 31,							
	2007				2006			
	Original Budget	Amended Budget	Actual	Actual Over (Under) Budget	Original Budget	Amended Budget	Actual	Actual Over (Under) Budget
RECEIPTS								
Sales taxes	\$ 826,960	826,960	894,046	67,086	\$ 721,000	721,000	841,797	120,797
Interest	-	-	17,570	17,570	-	-	11,564	11,564
Other	-	-	-	-	-	-	88	88
Total Receipts	\$ 826,960	826,960	911,616	84,656	\$ 721,000	721,000	853,449	132,449
DISBURSEMENTS								
Public safety	\$ 826,960	826,960	737,465	(89,495)	\$ 721,000	721,000	592,463	(128,537)
Total Disbursements	\$ 826,960	826,960	737,465	(89,495)	\$ 721,000	721,000	592,463	(128,537)
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	174,151	174,151	-	-	260,986	260,986
FUND BALANCE, JANUARY 1	324,938	324,938	324,938	-	63,952	63,952	63,952	-
FUND BALANCE, DECEMBER 31	\$ 324,938	324,938	499,089	174,151	\$ 63,952	63,952	324,938	260,986

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

AUDRAIN COUNTY, MISSOURI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

Budgets and Budgetary Practices

The County Commission and various county boards prepare their operating budget for various county funds under the budgetary statutes (Sections 50.525 – 50.745 of the state of Missouri). In accordance with these statutes, the following process is used to adopt the annual budget:

- a. Prior to January, the budget officer (County Clerk) and administrative officers of the various boards submit a proposed operating budget for the ensuing calendar year to the County Commission or to the applicable governing boards.
- b. Public hearings are conducted to obtain citizen comments.
- c. Subsequent to the budget hearings, the budgets (as amended and approved) are adopted by the County Commission or by the applicable boards.
- d. The approved budgets for the county and applicable boards are to be submitted to the county budget officer (County Clerk) and filed with the State Auditor's Office by January 31.

The legal level of control at which total disbursements may not legally exceed appropriations is at the fund level. Budget revisions or amendments may be changed by the County Commission or applicable boards during the year in accordance with provisions of the state law, and must also be filed with the State Auditor's Office.

Basis of Accounting

The budgets are prepared on the cash basis of accounting as applied to the governmental funds in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions.

SUPPLEMENTARY INFORMATION

AUDRAIN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2007	2006
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
Department of Social Services-				
14.231	Emergency Shelter Grants Program	ERO1640792	\$ 12,000	\$ -
		ERO1640727	-	12,000
U. S. DEPARTMENT OF JUSTICE				
Passed through:				
State Department of Public Safety-				
16.579	Byrne Formula Grant Program	2004NCD2037	7,799	-
		2003NCD3036	-	62,199
16.579	Missouri Sheriff's Association-			
	Edward Byrne Memorial Formula Grant Program	2005JAGINT002	66,986	-
		2004NCD2037	58,528	-
	Byrne Formula Grant Program (JAG)	2004NCD2037	-	84,081
Cape Girardeau County-				
16.580	Edward Byrne Memorial State and Local Law	2006DDBX0204	95,404	-
		2000DDVX0055	-	77,660
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state:				
Highway and Transportation Commission -				
20.205	Highway Planning and Construction	BRO-B004(30)	256,797	788
		BRO-B004(31)	-	315,288
		BRO-B004(32)	4,670	1,316
		BRO-B004(33)	164,015	938
		BRO-B004(34)	331,357	35,000
		BRO-B004(35)	-	6,248
GENERAL SERVICES ADMINISTRATION				
Passed through Office of Administration-				
39.011	Election Reform Payments	N/A	6,535	-
		HAVA2002FED	2,715	101,179
ELECTION ASSISTANCE COMMISSION				
Passed through Office of Secretary of State-				
90.401	Help America Vote Act Requirements Payments	N/A	2,467	-
		SC231	-	107,636
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Social Services-				
93.563	Child Support Enforcement	N/A	134,063	166,259
Department of Health and Senior Services-				
93.617	Polling Place Assembly	N/A	829	-
U. S. DEPARTMENT OF HOMELAND SECURITY				
Passed through State Department of Public Safety:				
97.024	Emergency Food and Shelter Grant	N/A	243	13,635
97.042	Emergency Management Performance Grant	DOJFY2005	8,000	-
97.067	Homeland Security Grant Program	2005GETS0022	37,450	-
Total Expenditures of Federal Awards			\$ 1,189,858	\$ 984,227

N/A - Not applicable

SEE ACCOMPANYING NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

AUDRAIN COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

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

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

B. Basis of Presentation

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

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

Federal award means Federal financial assistance and Federal cost-reimbursement contract 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.

C. Basis of Accounting

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

2. Subrecipients

The county provided federal awards to subrecipients during the years ended December 31, 2007 and 2006 totaling \$24,000 under CFDA #14.231 and \$13,878 under CFDA #97.024.

INDEPENDENT AUDITORS' REPORTS

CASEY AND COMPANY OF COLUMBIA, L.L.C.



A Certified Public Accounting and Consulting Firm

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1 East Broadway
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August 7, 2008

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
Audrain County, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Audrain County, Missouri, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Audrain County Missouri's basic financial statements and have issued our report thereon dated August 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying financial statement findings (07-1, 07-02, and 07-03) to be significant deficiencies in internal control over financial reporting.

MEMBER
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American
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Certified
Public
Accountants
•
Missouri
Society of
Certified
Public
Accountants
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**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 (CONTINUED)**

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 entity'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. We believe that the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of the management of Audrain County, Missouri, federal 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

Casey and Company L.L.C.
Certified Public Accountants
Columbia, Missouri

CASEY AND COMPANY OF COLUMBIA, L.L.C.



A Certified Public Accounting and Consulting Firm

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August 7, 2008

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

To the County Commission
and
Officeholders of Audrain County, Missouri

Compliance

We have audited the compliance of Audrain County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2007 and 2006. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

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

In our opinion, Audrain County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2007 and 2006.

MEMBER
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•
Missouri
Society of
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Public
Accountants
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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONTINUED)**

Internal Control Over Compliance

The management of Audrain County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

This report is intended solely for the information and use of the management of Audrain County, Missouri, federal 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
Casey and Company, L.L.C.
Certified Public Accountants
Columbia, Missouri

**AUDRAIN COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGERMENTS' PLAN FOR CORRECTIVE ACTION)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Qualified</u>	
Internal control over financial reporting:		
Material weaknesses identified?	<u> X </u> yes	<u> </u> no
Significant control deficiencies identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> no
Control deficiencies material to the financial statements?	<u> X </u> yes	<u> </u> no
Noncompliance material to the financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	<u> </u> yes	<u> X </u> no
Significant control deficiencies identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> no
Control deficiencies identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> no

Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>
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Internal control over other matters:		
Material weaknesses identified?	<u> </u> yes	<u> X </u> no
Significant control deficiencies identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> no
Control deficiencies identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> no

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u> </u> yes	<u> X </u> no
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Identification of major program:

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

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
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Auditee qualified as a low-risk auditee?	<u> </u> yes	<u> X </u> no
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**AUDRAIN COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
(INCLUDING MANAGERMENTS' PLAN FOR CORRECTIVE ACTION)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

Section II – Financial Statement Findings

This section includes the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

07-01 Bank Reconciliations Not Performed by County Treasurer

Condition: The County Treasurer has not performed proper monthly bank reconciliations to agree reconciled cash balances to the various funds maintained under her control. Bank reconciliations subsequently performed during the audit at December 31, 2007 and December 31, 2006 showed an unreconciled difference between the bank accounts and various county funds of \$8,008 and \$3,924, respectively, which cannot be properly identified.

Criteria: Strong internal controls over financial statements require that monthly bank reconciliations be performed to ensure the bank accounts properly reconcile to the county's fund balances.

Cause: The County Treasurer's office had much difficulty in past years to properly conduct accurate bank reconciliations and the present Treasurer has not performed monthly bank reconciliations to determine the correct reconciled bank balances to agree with the various funds' cash balances.

Effect: The cash balances of various county funds are not accurately stated.

Recommendation:

The County Treasurer properly prepare monthly bank reconciliations and to make appropriate adjustments for the unreconciled difference between the bank accounts and the appropriate county funds.

Response: The current county treasurer came in to office in January 2007. After coming into office the treasurer struggled to get the bank records reconciled and noticed that the previous treasurer had not either. Previous audit findings showed there was a difference in the bank balance and the fund ledger balances. The treasurer will receipt in the difference and move forward. Month-end reconciliations will be done monthly.

07-02 Investments and Cash held for Special Law Bond Fund not Presented by County

Condition: In 2004, the County advanced refunded the bonds for the jail. Investments and cash held by the investment bank in a debt service fund, escrow fund, and bond reserve fund have not been reflected in the County's financial statements. At December 31, 2007 and 2006, the county had a total of \$449,190 and \$456,327, respectively, which have not been reflected in the County's financial statements in the Special Law Bond Fund.

Criteria: Strong internal controls over financial statements require that all cash and investments held on behalf of the County be reflected in the County's financial statements.

Cause: The County Clerk and Treasurer inadvertently omitted the monies held by the investment bank in the county's financial statements.

**AUDRAIN COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
(INCLUDING MANAGERMENTS' PLAN FOR CORRECTIVE ACTION)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

Effect: The County's financial statements for the Special Law Enforcement Bond Fund was not accurately presented and materially misstated.

Recommendation:
The County should include the cash and investments held by the investment bank in its financial statements.

Response: The County did not reflect the monies held by Commerce Bank in the financial statements as these monies are not available to the county. We will report this information on future financial statements

07-03 Prior Audit Misstatements Not Recognized by County

Condition: The County did not recognize or adjust its financial statements for the prior audit adjustments that were required to be made to correct the County's financial statements.

Criteria: Strong internal controls over financial statements require that management recognize and adjust its financial statements properly for any adjustments necessary to correct its financial statements.

Cause: The County did not review its financial statements properly against the prior audit report to recognize that some adjustments were needed to properly restate the balances in a few funds.

Effect: The prior cash balances of some county funds were not accurately stated.

Recommendation:
The County should review its financial statements to ensure that all cash balances of all funds are properly stated.

Response: Going forward we will take steps to ensure all cash balances are correct.

Section III – Federal Award Findings and Questioned Costs

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

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

**AUDRAIN 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 auditor's follow-up on action taken by Audrain County, Missouri, on the applicable findings in the prior audit report issued by the State Auditor's Office for the two years ended December 31, 2005.

The prior audit report issued for the two years ended December 31, 2005, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

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

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

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

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

The prior audit report issued for the two years ended December 31, 2005, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.