



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Adair County, Missouri

The Office of the State Auditor, in cooperation with Adair 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 McBride, Lock & Associates, Certified Public Accountants, is attached.

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

Susan Montee, CPA
State Auditor

December 2008
Report No. 2008-81

ADAIR COUNTY, MISSOURI
ANNUAL FINANCIAL REPORT

December 31, 2007 and 2006

ADAIR COUNTY, MISSOURI

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INTRODUCTORY SECTION

ADAIR COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Gary Jones
Associate Commissioner – Sidney Osborn
Associate Commissioner – Gene Schneider

Other Elected Officials

Assessor – Donnie Waybill
Circuit Clerk – Linda Decker
Recorder – Pat Shoush
Collector – David Erwin
Coroner – Brian Noe
County Clerk – Sandra Collop
Prosecuting Attorney – Mark Williams
Public Administrator – Jeanette Gregory
Sheriff – Leonard Clark
Treasurer – Lori Smith

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McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission and Officeholders of Adair County, Missouri

We have audited the accompanying financial statements of Adair County, Missouri as of and for the years ended December 31, 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, Adair 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 Adair 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 Adair 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 August 7, 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 Adair 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
August 7, 2008

FINANCIAL SECTION

ADAIR COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
 ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

Fund	Cash		Cash		Cash		December 31 2007
	January 1 2006 (restated)	Receipts 2006	Disbursements 2006	December 31 2006	Receipts 2007	Disbursements 2007	
General Revenue	\$ 291,937	2,156,436	1,948,762	499,611	2,177,087	1,810,605	866,093
Special Road and Bridge	87,622	1,418,186	1,492,497	13,311	2,316,848	2,299,524	30,635
Assessment	20,409	258,361	251,180	27,590	273,046	271,216	29,420
Self Funded Insurance	25,243	442,156	467,130	269	49,560	49,591	238
Financial Emergency	219,014	8,674	-	227,688	41,145	-	268,833
Senate Bill 40	-	314,953	314,953	-	348,855	348,855	-
Law Enforcement Services	429,548	702,950	945,001	187,497	759,252	482,630	464,119
Law Enforcement Bond	571	1,271	1,250	592	26	-	618
E-911	15,769	58,613	45,036	29,346	58,997	73,183	15,160
Countryside	85,699	3,395	-	89,094	4,244	-	93,338
Violence Intervention	-	8,937	8,937	-	14,240	14,240	-
Domestic Violence	2,433	4,810	-	7,243	4,428	7,243	4,428
Milliken Cemetary	8,867	1,199	125	9,941	1,431	150	11,222
Election Administration	11,765	1,401	443	12,723	4,801	4,365	13,159
HAVA Grant	4,737	68,512	58,277	14,972	1,003	15,975	-
Recorder User	50,957	10,872	6,694	55,135	10,103	10,720	54,518
Recorder Technology	18,101	5,517	-	23,618	5,531	-	29,149
Collector's Tax	40,155	16,060	8,238	47,977	23,560	31,400	40,137
Law Enforcement General	4,538	1,310,902	1,245,522	69,918	1,375,178	1,264,003	181,093
Law Enforcement Training	2,818	5,816	7,182	1,452	4,705	5,446	711
Sheriff Civil	8,969	37,952	44,405	2,516	45,469	40,789	7,196
Sheriff Revolving	3,369	1,155	494	4,030	5,840	572	9,298
Prosecuting Attorney Training	2,712	1,075	304	3,483	934	232	4,185
Prosecuting Attorney Delinquent Tax	3,836	660	169	4,327	1,299	-	5,626
Prosecuting Attorney Administration	52,454	45,351	21,182	76,623	37,283	49,023	64,883
Child Support Enforcement	1,308	114,955	114,822	1,441	103,696	104,742	395
Juvenile Justice Center	299,945	768,508	730,412	338,041	894,278	761,882	470,437
Juvenile Grant Operations	74,538	330,365	341,758	63,145	363,936	383,363	43,718
GIS Grant	-	-	-	-	7,418	7,418	-
Total	\$ 1,767,314	8,099,042	8,054,773	1,811,583	8,934,193	8,037,167	2,708,609

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

ADAIR COUNTY, MISSOURI
 STATEMENTS 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				
Sales taxes	\$ 1,333,000	1,381,841	1,382,000	1,490,439
Intergovernmental	120,379	229,969	335,187	193,589
Charges for services	352,186	371,162	382,550	373,668
Interest	6,500	15,202	15,000	33,298
Other	113,052	87,056	88,363	84,861
Transfers in	8,200	71,206	44,916	1,232
Total Receipts	<u>1,933,317</u>	<u>2,156,436</u>	<u>2,248,016</u>	<u>2,177,087</u>
DISBURSEMENTS				
County Commission	91,570	87,470	92,370	88,129
County Clerk	130,730	118,937	123,583	120,732
Elections	82,300	75,572	8,600	7,717
Buildings and grounds	83,620	78,503	97,909	71,242
Employee fringe benefits	285,500	244,288	240,636	249,535
County Treasurer	73,237	67,063	74,032	71,980
Collector	116,850	112,033	119,811	118,079
Recorder of Deeds	99,300	90,920	113,950	106,651
Circuit Clerk	40,500	24,380	49,000	27,201
Associate Circuit Court - Probate	25,000	15,060	25,000	15,298
Court administration	35,609	34,136	36,609	36,298
Public Administrator	67,638	66,622	65,752	64,481
Prosecuting Attorney	221,429	217,860	229,028	222,369
Coroner	20,370	24,300	24,170	25,000
Distributions to Other Governments	215,188	326,084	453,419	292,321
Health and welfare	99,760	117,931	90,776	68,609
Transfers out	267,000	189,603	246,000	163,963
Emergency fund	58,000	58,000	61,000	61,000
Total Disbursements	<u>2,013,601</u>	<u>1,948,762</u>	<u>2,151,645</u>	<u>1,810,605</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(80,284)	207,674	96,371	366,482
CASH, JANUARY 1	291,937	291,937	499,611	499,611
CASH, DECEMBER 31	<u>\$ 211,653</u>	<u>499,611</u>	<u>595,982</u>	<u>866,093</u>

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

ADAIR COUNTY, MISSOURI
STATEMENTS 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	\$ 550,000	565,409	575,000	625,242	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	950,000	686,699	1,526,300	1,556,033	234,043	253,509	242,561	266,595
Charges for services	66,000	67,398	208,500	51,914	-	-	-	-
Interest	7,500	8,350	8,000	5,995	1,200	2,843	2,750	3,696
Other	19,500	21,330	15,000	16,664	2,400	2,009	2,410	2,755
Transfers in	-	69,000	-	61,000	30,000	-	30,000	-
Total Receipts	<u>1,593,000</u>	<u>1,418,186</u>	<u>2,332,800</u>	<u>2,316,848</u>	<u>267,643</u>	<u>258,361</u>	<u>277,721</u>	<u>273,046</u>
DISBURSEMENTS								
Salaries	477,657	430,822	443,674	460,138	158,437	142,485	147,785	158,705
Employee fringe benefits	208,600	195,848	211,119	191,993	57,000	55,501	57,023	58,511
Materials and Supplies	624,000	609,594	850,500	870,695	12,500	11,814	13,850	11,680
Services and Other	119,200	98,417	163,726	136,202	42,250	41,380	47,650	42,320
Capital Outlay	127,000	108,155	210,000	550	-	-	-	-
Construction	25,000	42,161	437,880	639,946	-	-	-	-
Transfers out	7,500	7,500	7,500	-	-	-	4,460	-
Total Disbursements	<u>1,588,957</u>	<u>1,492,497</u>	<u>2,324,399</u>	<u>2,299,524</u>	<u>270,187</u>	<u>251,180</u>	<u>270,768</u>	<u>271,216</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	4,043	(74,311)	8,401	17,324	(2,544)	7,181	6,953	1,830
CASH, JANUARY 1	<u>87,622</u>	<u>87,622</u>	<u>13,311</u>	<u>13,311</u>	<u>20,409</u>	<u>20,409</u>	<u>27,590</u>	<u>27,590</u>
CASH, DECEMBER 31	<u>\$ 91,665</u>	<u>13,311</u>	<u>21,712</u>	<u>30,635</u>	<u>17,865</u>	<u>27,590</u>	<u>34,543</u>	<u>29,420</u>

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

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	SELF-FUNDED INSURANCE FUND				FINANCIAL EMERGENCY 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	-	-	-	-	-	-	-	-
Interest	750	561	-	60	6,000	8,674	10,000	11,376
Other	432,136	386,595	-	-	-	-	29,769	29,769
Transfers in	100,000	55,000	100,000	49,500	-	-	-	-
Total Receipts	<u>532,886</u>	<u>442,156</u>	<u>100,000</u>	<u>49,560</u>	<u>6,000</u>	<u>8,674</u>	<u>39,769</u>	<u>41,145</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	545,132	382,817	84,313	49,591	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	84,313	-	-	-	-	-	-
Total Disbursements	<u>545,132</u>	<u>467,130</u>	<u>84,313</u>	<u>49,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(12,246)	(24,974)	15,687	(31)	6,000	8,674	39,769	41,145
CASH, JANUARY 1	25,243	25,243	269	269	219,014	219,014	227,688	227,688
CASH, DECEMBER 31	<u>\$ 12,997</u>	<u>269</u>	<u>15,956</u>	<u>238</u>	<u>225,014</u>	<u>227,688</u>	<u>267,457</u>	<u>268,833</u>

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

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	SENATE BILL 40 FUND				LAW ENFORCEMENT SERVICES FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 250,695	280,643	290,000	314,850	-	-	-	-
Sales taxes	-	-	-	-	675,000	690,324	690,000	744,881
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	1,000	214	225	413	20,000	12,626	15,000	14,371
Other	-	34,096	34,201	33,592	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	251,695	314,953	324,426	348,855	695,000	702,950	705,000	759,252
DISBURSEMENTS								
Salaries	18,000	-	-	108,045	-	-	-	-
Employee fringe benefits	7,600	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	242,046	314,953	324,426	240,810	596,150	595,001	493,550	132,630
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	350,000	350,000	350,000	350,000
Total Disbursements	267,646	314,953	324,426	348,855	946,150	945,001	843,550	482,630
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(15,951)	-	-	-	(251,150)	(242,051)	(138,550)	276,622
CASH, JANUARY 1	-	-	-	-	429,548	429,548	187,497	187,497
CASH, DECEMBER 31	\$ (15,951)	-	-	-	178,398	187,497	48,947	464,119

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

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	LAW ENFORCEMENT BOND FUND				E-911 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	-	-	-	-	-	-	-	-
Interest	35	21	-	26	300	584	500	800
Other	40,000	1,250	1,250	-	57,100	58,029	57,100	58,197
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>40,035</u>	<u>1,271</u>	<u>1,250</u>	<u>26</u>	<u>57,400</u>	<u>58,613</u>	<u>57,600</u>	<u>58,997</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	40,000	1,250	-	-	67,000	45,036	57,600	73,183
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>40,000</u>	<u>1,250</u>	<u>-</u>	<u>-</u>	<u>67,000</u>	<u>45,036</u>	<u>57,600</u>	<u>73,183</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	35	21	1,250	26	(9,600)	13,577	-	(14,186)
CASH, JANUARY 1	<u>571</u>	<u>571</u>	<u>592</u>	<u>592</u>	<u>15,769</u>	<u>15,769</u>	<u>29,346</u>	<u>29,346</u>
CASH, DECEMBER 31	\$ <u>606</u>	\$ <u>592</u>	\$ <u>1,842</u>	\$ <u>618</u>	\$ <u>6,169</u>	\$ <u>29,346</u>	\$ <u>29,346</u>	\$ <u>15,160</u>

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

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	COUNTRYSIDE FUND				VIOLENCE INTERVENTION 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	-	-	-	-	-	-	-	-
Interest	1,620	3,395	3,800	4,244	-	-	-	-
Other	-	-	-	-	6,000	8,937	10,000	14,240
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	1,620	3,395	3,800	4,244	6,000	8,937	10,000	14,240
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	6,000	8,937	10,000	14,240
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	-	-	-	-	6,000	8,937	10,000	14,240
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	1,620	3,395	3,800	4,244	-	-	-	-
CASH, JANUARY 1	85,699	85,699	89,094	89,094	-	-	-	-
CASH, DECEMBER 31	\$ 87,319	89,094	92,894	93,338	-	-	-	-

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

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	DOMESTIC VIOLENCE FUND				MILLIKIN CEMETARY 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	-	-	-	-	-	-	-	-
Interest	50	169	200	150	200	363	400	491
Other	2,300	4,641	6,000	4,278	750	836	950	940
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	2,350	4,810	6,200	4,428	950	1,199	1,350	1,431
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	4,782	-	7,243	7,243	125	125	125	150
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	4,782	-	7,243	7,243	125	125	125	150
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(2,432)	4,810	(1,043)	(2,815)	825	1,074	1,225	1,281
CASH, JANUARY 1	2,433	2,433	7,243	7,243	8,867	8,867	9,941	9,941
CASH, DECEMBER 31	\$ 1	7,243	6,200	4,428	9,692	9,941	11,166	11,222

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

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	ELECTION ADMINISTRATION FUND				HAVA GRANT FUND			
	Year Ended December 31,		Year Ended December 31,		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	5,000	923	4,061	4,142	-	-	-	-
Interest	200	478	300	659	-	1,240	286	286
Other	-	-	-	-	75,105	67,272	-	717
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	5,200	1,401	4,361	4,801	75,105	68,512	286	1,003
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	1,238	-
Services and Other	2,000	443	4,365	4,365	75,105	58,277	4,849	6,149
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	9,170	9,826
Total Disbursements	2,000	443	4,365	4,365	75,105	58,277	15,257	15,975
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	3,200	958	(4)	436	-	10,235	(14,971)	(14,972)
CASH, JANUARY 1	11,765	11,765	12,723	12,723	4,737	4,737	14,972	14,972
CASH, DECEMBER 31	\$ 14,965	12,723	12,719	13,159	4,737	14,972	1	-

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

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	RECORDER USER FUND				RECORDER TECH 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	-	-	-	-	4,700	4,729	4,700	4,314
Interest	1,300	2,084	1,500	2,577	400	788	800	1,217
Other	8,000	8,788	9,500	7,526	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	9,300	10,872	11,000	10,103	5,100	5,517	5,500	5,531
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	10,000	-	-	-	5,000	-	-	-
Services and Other	6,800	6,694	6,800	10,720	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	16,800	6,694	6,800	10,720	5,000	-	-	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(7,500)	4,178	4,200	(617)	100	5,517	5,500	5,531
CASH, JANUARY 1	50,957	50,957	55,135	55,135	18,101	18,101	23,618	23,618
CASH, DECEMBER 31	\$ 43,457	55,135	59,335	54,518	18,201	23,618	29,118	29,149

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

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	COLLECTOR'S TAX FUND				CRIMINAL COSTS 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	14,300	14,283	13,250	20,811	-	-	-	-
Interest	700	1,777	1,750	2,749	-	-	-	-
Other	-	-	-	-	32,000	120,249	100,000	105,223
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	15,000	16,060	15,000	23,560	32,000	120,249	100,000	105,223
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	25,252	8,238	25,552	31,400	-	-	-	-
Services and Other	-	-	-	-	32,000	120,249	100,000	105,223
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	25,252	8,238	25,552	31,400	32,000	120,249	100,000	105,223
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(10,252)	7,822	(10,552)	(7,840)	-	-	-	-
CASH, JANUARY 1	40,155	40,155	47,977	47,977	-	-	-	-
CASH, DECEMBER 31	\$ 29,903	47,977	37,425	40,137	-	-	-	-

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

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	LAW ENFORCEMENT GENERAL FUND				LAW ENFORCEMENT TRAINING FUND			
	Year Ended December 31,							
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	680,000	690,324	690,000	744,881	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	205,000	190,442	185,000	212,307	-	-	-	-
Interest	900	5,327	5,000	7,446	80	92	100	68
Other	46,500	69,883	67,700	55,894	5,850	5,724	6,000	4,637
Transfers in	350,000	354,926	350,000	354,650	-	-	-	-
Total Receipts	<u>1,282,400</u>	<u>1,310,902</u>	<u>1,297,700</u>	<u>1,375,178</u>	<u>5,930</u>	<u>5,816</u>	<u>6,100</u>	<u>4,705</u>
DISBURSEMENTS								
Salaries	724,758	647,507	668,615	652,878	-	-	-	-
Employee fringe benefits	278,200	253,660	284,030	262,386	-	-	-	-
Materials and Supplies	202,000	201,195	210,000	190,584	-	-	-	-
Services and Other	155,250	143,160	168,492	158,155	6,000	7,182	7,000	5,446
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	12,095	-	-	-	-	-
Total Disbursements	<u>1,360,208</u>	<u>1,245,522</u>	<u>1,343,232</u>	<u>1,264,003</u>	<u>6,000</u>	<u>7,182</u>	<u>7,000</u>	<u>5,446</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(77,808)	65,380	(45,532)	111,175	(70)	(1,366)	(900)	(741)
CASH, JANUARY 1	<u>4,538</u>	<u>4,538</u>	<u>69,918</u>	<u>69,918</u>	<u>2,818</u>	<u>2,818</u>	<u>1,452</u>	<u>1,452</u>
CASH, DECEMBER 31	<u><u>\$ (73,270)</u></u>	<u><u>69,918</u></u>	<u><u>24,386</u></u>	<u><u>181,093</u></u>	<u><u>2,748</u></u>	<u><u>1,452</u></u>	<u><u>552</u></u>	<u><u>711</u></u>

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

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	SHERIFF CIVIL FUND				SHERIFF REVOLVING 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	40,000	37,358	40,000	39,398	-	-	-	-
Charges for services	-	-	-	-	1,000	1,010	1,000	5,522
Interest	1,000	594	1,000	1,071	60	145	150	318
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	5,000	5,000	-	-	-	-
Total Receipts	<u>41,000</u>	<u>37,952</u>	<u>46,000</u>	<u>45,469</u>	<u>1,060</u>	<u>1,155</u>	<u>1,150</u>	<u>5,840</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	5,000	5,000	-	-	500	494	500	-
Services and Other	39,498	39,405	42,200	40,789	-	-	-	572
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>44,498</u>	<u>44,405</u>	<u>42,200</u>	<u>40,789</u>	<u>500</u>	<u>494</u>	<u>500</u>	<u>572</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(3,498)	(6,453)	3,800	4,680	560	661	650	5,268
CASH, JANUARY 1	<u>8,969</u>	<u>8,969</u>	<u>2,516</u>	<u>2,516</u>	<u>3,369</u>	<u>3,369</u>	<u>4,030</u>	<u>4,030</u>
CASH, DECEMBER 31	<u>\$ 5,471</u>	<u>2,516</u>	<u>6,316</u>	<u>7,196</u>	<u>3,929</u>	<u>4,030</u>	<u>4,680</u>	<u>9,298</u>

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

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	PROSECUTING ATTORNEY TRAINING FUND				PROSECUTING ATTORNEY DELINQUENT TAX 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	-	-	-	-	-	-	-	-
Interest	50	115	50	176	75	159	125	230
Other	1,000	960	900	714	400	501	500	1,069
Transfers in	200	-	-	44	-	-	-	-
Total Receipts	<u>1,250</u>	<u>1,075</u>	<u>950</u>	<u>934</u>	<u>475</u>	<u>660</u>	<u>625</u>	<u>1,299</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	475	169	625	-
Services and Other	1,050	304	950	232	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>1,050</u>	<u>304</u>	<u>950</u>	<u>232</u>	<u>475</u>	<u>169</u>	<u>625</u>	<u>-</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	200	771	-	702	-	491	-	1,299
CASH, JANUARY 1	<u>2,712</u>	<u>2,712</u>	<u>3,483</u>	<u>3,483</u>	<u>3,836</u>	<u>3,836</u>	<u>4,327</u>	<u>4,327</u>
CASH, DECEMBER 31	<u>\$ 2,912</u>	<u>3,483</u>	<u>3,483</u>	<u>4,185</u>	<u>3,836</u>	<u>4,327</u>	<u>4,327</u>	<u>5,626</u>

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

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	PROSECUTING ATTORNEY ADMINISTRATION FUND				CHILD SUPPORT ENFORCEMENT 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	-	-	-	-	-	-	-	-
Interest	750	2,537	2,500	3,510	50	196	140	62
Other	28,150	42,814	40,000	33,773	120,204	114,759	121,640	103,634
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	28,900	45,351	42,500	37,283	120,254	114,955	121,780	103,696
DISBURSEMENTS								
Salaries	-	-	25,000	-	72,500	72,500	72,500	72,500
Employee fringe benefits	-	-	2,015	1,289	26,254	24,152	24,578	22,622
Materials and Supplies	-	5,834	17,000	11,709	2,700	1,618	2,800	1,562
Services and Other	-	15,348	51,000	36,025	18,650	16,552	19,593	8,058
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	-	21,182	95,015	49,023	120,104	114,822	119,471	104,742
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	28,900	24,169	(52,515)	(11,740)	150	133	2,309	(1,046)
CASH, JANUARY 1	52,454	52,454	76,623	76,623	1,308	1,308	1,441	1,441
CASH, DECEMBER 31	\$ 81,354	76,623	24,108	64,883	1,458	1,441	3,750	395

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

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	JUVENILE JUSTICE CENTER FUND				JUVENILE GRANT OPERATIONS 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	63,036	63,037	63,037	63,037	212,725	172,398	127,981	122,259
Charges for services	-	-	-	-	-	-	-	-
Interest	4,500	11,031	11,500	12,602	-	-	-	-
Other	489,790	588,477	661,743	712,676	-	-	-	6,655
Transfers in	105,963	105,963	105,963	105,963	157,967	157,967	251,845	235,022
Total Receipts	<u>663,289</u>	<u>768,508</u>	<u>842,243</u>	<u>894,278</u>	<u>370,692</u>	<u>330,365</u>	<u>379,826</u>	<u>363,936</u>
DISBURSEMENTS								
Salaries	-	-	12,500	-	277,379	261,790	300,842	290,375
Employee fringe benefits	-	-	-	-	86,513	79,068	79,776	92,988
Materials and Supplies	116,500	97,480	125,308	115,888	15,200	-	-	-
Services and Other	405,591	495,111	444,007	410,972	-	900	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	137,821	137,821	235,023	235,022	-	-	-	-
Total Disbursements	<u>659,912</u>	<u>730,412</u>	<u>816,838</u>	<u>761,882</u>	<u>379,092</u>	<u>341,758</u>	<u>380,618</u>	<u>383,363</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	3,377	38,096	25,405	132,396	(8,400)	(11,393)	(792)	(19,427)
CASH, JANUARY 1	<u>299,945</u>	<u>299,945</u>	<u>338,041</u>	<u>338,041</u>	<u>74,538</u>	<u>74,538</u>	<u>63,145</u>	<u>63,145</u>
CASH, DECEMBER 31	<u>\$ 303,322</u>	<u>338,041</u>	<u>363,446</u>	<u>470,437</u>	<u>66,138</u>	<u>63,145</u>	<u>62,353</u>	<u>43,718</u>

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

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	GIS GRANT FUND			
	Year Ended December 31,			
	2006		2007	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ -	-	-	-
Sales taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Other	-	-	7,418	7,418
Transfers in	-	-	-	-
Total Receipts	-	-	7,418	7,418
DISBURSEMENTS				
Salaries	-	-	-	-
Employee fringe benefits	-	-	-	-
Materials and Supplies	-	-	7,418	7,418
Services and Other	-	-	-	-
Capital Outlay	-	-	-	-
Construction	-	-	-	-
Transfers out	-	-	-	-
Total Disbursements	-	-	7,418	7,418
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	-	-	-	-
CASH, JANUARY 1	-	-	-	-
CASH, DECEMBER 31	\$ -	-	-	-

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

ADAIR 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
Collector	\$ 1,335,977	1,335,977	1,375,008	1,375,008
CERF	3,571	3,571	3,130	3,130
Overplus Tax	459	459	459	459
Unclaimed Fees	16,927	16,927	18,966	18,966
Unapportioned Schools	47,744	47,744	58,535	58,535
Total	\$ <u>1,404,678</u>	<u>1,404,678</u>	<u>\$1,456,098</u>	<u>1,456,098</u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 Adair 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. Adjustments made during the year were not significant and are reflected in the budget information in the financial statements. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.
8. Budgets are prepared and adopted on the cash basis of accounting. Section 50.740

RSMo. prohibits expenditures in excess of the approved budgets. However, we found the following funds to have exceeded the budgeted amounts approved by the Commission:

<u>Fund</u>	Years Ended December 31,	
	<u>2007</u>	<u>2006</u>
Assessment	\$ 447	N/A
Senate Bill 40	24,429	47,307
911	15,583	N/A
Violence Intervention	4,240	2,937
Milliken Cemetery	25	N/A
HAVA	717	N/A
Recorder User	3,920	N/A
Collector's Tax Maintenance	5,848	N/A
Criminal Cost	5,223	88,249
Law Enforcement Training	N/A	1,182
Sheriff's Revolving	72	N/A
Juvenile Grant Operations	2,746	N/A
Prosecuting Attorney Administration	N/A	21,182
Juvenile Justice Center	N/A	70,500

- 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	\$ 163,673,070	150,676,940
Personal Property	58,566,344	57,589,311
Railroad and Utilities	1,345,388	1,371,975

During 2007 and 2006 the County Commission approved two tax levies that are valued at \$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>
Road and Bridge	\$ 0.2653	0.2600
Surtax	0.4500	0.4500

- 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. During 2007, the General Fund loaned the Self Insurance Fund \$49,500.

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.

H. Debt

During 2007, the County retired its Law Enforcement Bond with a final payment of \$579,619. At December 31, 2007, the County has no outstanding bonded indebtedness.

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 \$4,113,287 and \$3,267,681 the bank balance was \$10,349,022 and \$9,025,618, respectively. Of the bank balance \$249,782 and \$269,364 for December 31, 2007 and December 31, 2006 respectively were covered by federal depository insurance and \$10,099,240 and \$8,756,254, respectively, was covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent, in the County's name.

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 of 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.

The County also participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local 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 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 401(a) and it is tax-exempt.

LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

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 for \$41,445 and \$32,237, respectively, for the years then ended, equal to the required contributions.

Because certain employees are also participants in LAGERS, a contribution is also required by the County to LAGERS, based on an actuarially determined rate. The rates were 10.7% and 10.9% for 2007 and 2006, respectively, for non-law enforcement personnel, and, for the corresponding years, 11.3% and 11.5%, respectively, for law enforcement personnel. During 2007 and 2006, the County remitted to LAGERS employer contributions of \$209,220 and \$220,971, respectively.

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 30 days of sick time -- to accrue at one day per complete calendar month of employment up to 30 days. Vacation time is accrued for every full time employee, and accrues at the rate of zero days per year up to twenty days per year, depending on length of employment. The number of days of sick and vacation leave that can be carried over from year to year was not specified. Also, not specified were the compensation amounts upon termination.

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.

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.

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 Adair County, Missouri

We have audited the financial statements of the governmental activities and fiduciary fund types as identified in the table of contents of Adair County, Missouri, as of and for the years ended December 31, 2007, and December 31, 2006 which collectively comprise the County of Adair, 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 audits, we considered Adair 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 Adair County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Adair 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 Adair 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 Adair County, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the Adair County, Missouri's internal control. We consider the deficiencies described in the schedule of findings and recommendations as items 1 through 6 to be significant deficiencies 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 Adair 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. We believe that the significant deficiencies described as items 1, 2 and 3 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adair 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 three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* that is identified as items 7 through 9.

We noted a certain matter that we reported to management of Adair County, Missouri, in the findings and recommendations section as item 10.

Adair County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Adair 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 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

August 7, 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 Adair County, Missouri

Compliance

We have audited the compliance of Adair 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. Adair 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 Adair County, Missouri's management. Our responsibility is to express an opinion on Adair 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 Adair 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 Adair County, Missouri's compliance with those requirements.

In our opinion, Adair 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 Adair 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 Adair 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 Adair 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
August 7, 2008

ADAIR COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Years ended December 31,	
			2007	2006
U. S. DEPARTMENT OF AGRICULTURE				
Passed through State of Missouri:				
Department of Social Services -				
10.550	Food Donation	RI-001-014 \$	450	1,322
Department of Health and Senior Services -				
10.000	School Lunch and Breakfast Program	65732	25,892	23,455
Total for U.S. Department of Agriculture			<u>26,342</u>	<u>24,777</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through State of Missouri:				
Department of Economic Development				
14.228	Community Development Block Grant		260,498	-
Department of Social Services -				
14.231	Emergency Shelter Grants Program	14-231	-	3,829
Total for U.S. Department of Housing and Urban Development			<u>260,498</u>	<u>3,829</u>
U.S. DEPARTMENT OF JUSTICE				
Passed through State of Missouri:				
State Department of Public Safety -				
16.575	Crime Victim Assistance	16.575	-	120,184
16.579	Byrne formula Grant Program (Narcotics Control Assistance Program)		230,815	230,778
Cape Girardeau County -				
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	2004-NCD2-036	-	160,740
16.000	MOSTART-Meth Hot Spots Program	2006-NMDTF	-	54,029
16.547	CASA- National CASA Association Program		-	20,000
16.547	Office of Juvenile Justice and Delinquency Prevention	MO11098-07/ 0707-EI	20,000	-
Total for U.S. Department of Justice			<u>250,815</u>	<u>585,731</u>
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through State of Missouri:				
Highway and Transportation Commission -				
20.205	Highway Planning and Construction	BRO-40	3,658	-
		BRO - 41	12,772	17,644
		BRO - 42	226,075	9,208
		BRO - 43	24,527	5,664
Total for U.S. Department of Transportation			<u>267,032</u>	<u>32,516</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through State of Missouri:				
Department of Social Services -				
93.000	Domestic Violence Shelters and Service Grants		-	37,576
	Family Violence Prevention and Services		-	37,576
Total for U.S. Department of Health and Human Services			<u>-</u>	<u>37,576</u>
Total Expenditures of Federal Awards			<u>\$ 804,687</u>	<u>684,429</u>

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (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 – SUBRECIPIENTS

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

ADAIR 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>
16.579	Byrne Formula Grant Program – Narcotics Control Assistance Program
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 finding nos. 1 through 6.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – FOLLOW-UP PRIOR YEARS FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The status of findings or questioned costs related to Federal Awards for the two years ended December 31, 2005 is as follows:

1. The County does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards. See finding No. 7.

Status – Not implemented.

2. The County prepared an inaccurate financial status report pertaining to the Election Reform Payments program.

Status – Implemented.

3. The County did not solicit bids for a purchase of ten Palm Pilots.

Status – No events of noncompliance with bid policies were noted during the 2006/2007 audits.

FINDINGS AND RECOMMENDATIONS

ADAIR COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESSES IN INTERNAL CONTROL

1. Property Tax Internal Controls

Condition: State Statutes provide for an independent review of property taxes by the County Clerk. The County Clerk should verify the accuracy of the current and delinquent tax books. During the period under audit, 2006 and 2007, the County Clerk's office received a copy of the tax books and any additions and abatements that may have occurred throughout the year. Instead of verifying these against the Collector's monthly and annual settlements, they filed their copies in the Clerk's vault. We were informed that the Clerk now maintains records of addition and abatements and compares her records to those of the County Clerk.

It was also noted that the Collector and the Assessor's computer systems do not allow the Assessor to automatically update property assessment additions or abatements to the Collector's computer system. Although the Assessor initiates additions and abatements, they are re-entered into the Collector's and the Clerk's accounting systems. The Collector should not have the ability to enter an abatement into his accounting system, as this ability allows the Collector's staff to receive a tax payment, enter an abatement instead of a cash receipt, divert the cash from the County, and still balance pursuant to the monthly settlement protocol.

Recommendation: We recommend the County adhere to the State-mandated processes, having the County Clerk serve as an independent reviewer of the current and delinquent tax books and any additions and abatements that occur throughout the tax year. This review should be documented and maintained by the County Clerk. We also recommend the ability of the Collector to initiate abatements be removed. If this practice must continue temporarily due to the incompatibility of computer systems, we recommend the County work with the software provider to ensure that an edit report is provided to the Clerk of all abatements initiated by the Collector, and that this report be agreed to the Clerk's records, with her review documented on the report.

County's Response: Adair County is aware of the inadequateness of the method used to change the permanent record when abatements and additions are required. We are aware that proper internal control procedures should not allow one designated office the ability to prepare and collect an amount due statement. We are currently working with a new software provider on a plan to eliminate this problem and expect a solution soon. Meanwhile, please consider the following information concerning what has been done to provide a level of security that we feel is adequate for the situation. We think that we have already initiated many of your recommendations along with some of our own and planned future changes will eliminate your concern.

Please be advised that the Collector and Assessor are currently using the same computer system (Equitech Information System). However, the availability of the Assessor to enter abatements and additions directly into the Collector's terminals does not exist. The Clerk is on a different software system and is unable to communicate with either the Collector or Assessor.

Direct entry of required information by the Collector staff is currently the only way to get abatements and additions into the Collector records. When these records are entered into the system by Collector staff the software system records all changes (either abatements or additions) into an internal report called the “Adair County Personal Court Order Change Report” or the “Adair County Real Court Order Change Report”. These reports show individual taxpayer records, including name, account number and Total Tax On and the Total Tax Off for each reporting period. Additionally, each tax year is totaled individually and then a grand total page of all changes for all years is provided. Currently, the Adair County Clerk receives a copy of this report which they then use to compare to the original change order sheets which are prepared by the Assessor’s office. The Clerk compares the assessed valuation dollar amount (calculated by the Assessor) as well as the individual taxing entity amounts which are calculated by the Collector’s software program. The Collector has no control over whether these two reports match. If the reports match, then the information entered by the Collector was correct and if they don’t match the Clerk’s office investigates why there is a difference.

The Collector never initiates any abatements. Any attempt to initiate abatements without proper authorization would appear in the report monitored by the Clerk. All change orders, including abatements, are monitored for correct entry by the Clerk’s office and the documentation used for verification purposes is never prepared by the Collector.

Auditor’s Evaluation: The Corrective Action Plan is considered adequate.

2. Accounting for Bond Debt Service

Condition: The County maintains an account with a trustee for use in recording principal and interest payments on bonds. The final disbursement from this account to pay the remaining debt service on the bonds was not recorded in the financial statements.

Recommendation: We recommend the Clerk record all financial transactions involving County assets in the accounting records and financial statements.

County’s Response: The County Clerk will attempt to record all financial transactions involving County assets in the accounting records and financial statements.

Auditor’s Evaluation: The Corrective Action Plan is considered adequate.

3. Transfer Between Funds

Condition: Transfers between funds are not always properly recorded as transfers in the respective funds. Amounts recorded as transfers-in for 2007, per the financial statements published in the annual budget, exceeded amounts recorded as transfers-out by \$648,448, and amounts recorded as transfers-in for 2006 exceeded transfers-out by \$648,448. The differences resulted from the recording of transfers as expenditures or revenues, rather than as transfers, in the transfer category, in some of the funds involved.

Recommendation: We recommend the County Clerk record transfers consistently between funds within the “Transfers” category, rather than as expenditures or revenues.

County’s Response: In the future, the County Clerk will attempt to record transfers consistently between funds with the “Transfers” category, rather than as expenditures or revenue.

Auditor's Evaluation: The Corrective Action Plan is considered adequate.

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

4. Controls over Revenues in the Sheriff's Office

Condition: The Sheriff's Office has identified missing receipts from the receipt book used to record fees and bonds. Upon investigation it was noted by the Sheriff that certain cash receipt transactions amounting to \$1,549.25 were entered into the subsidiary records without a corresponding receipt or deposit.

Research into missing receipts and/or deposits is continuing and, as a result, several more irregular transactions have been identified. Some of these transactions involved revenues without a corresponding deposit, and some of them involved revenues which had a higher amount deposited than was received.

The above irregularities were allowed to occur because the same individual was capable of receiving cash, writing receipts, recording cash collections in the accounting system and inputting cash collections into the computer. As there was no review of these processes and records by an independent party, receipts could be removed and the related cash deposit could be reduced without anyone detecting the variance between these amounts and the accounting records.

Recommendation: We recommend that the Sheriff's Office revise responsibilities to ensure that no one individual is capable of both misappropriating cash and also concealing the misappropriation through manipulation of receipts or accounting records. When reconciling the bank statements, a total of all outstanding checks and deposits in transit needed to be reconciled to get the ending book balance. The outstanding checks that have already been transferred to the Prosecuting Attorney need to be cleared out of the unclaimed fees section in the system with just having the actual outstanding checks in the system. In addition, we recommend that the receipts issued be logged daily on the computer in order to readily detect any missing receipt numbers. The amount of each receipt should also be noted and the total should correspond to the day's bank deposit. Every week or month, depending on the transaction volume, the daily log should be printed, the totals agreed to cash deposits, and the numerical sequence reviewed for completeness. Because of the significant dollar amount of bonds and fees processed by the Sheriff's office, and the small size of the staff, we recommend this review by performed by the Sheriff.

County's Response: The Sheriff's Office informed the auditors of this situation. The Sheriff wrote a letter to the Missouri State Highway Patrol to request an investigation. This is an ongoing investigation being handled by the Missouri State Highway Patrol Division of Drug and Crime Control. The Adair County Sheriff's Office will take any measures to comply with the recommendations of the Auditor.

5. Controls over Bank Account Reconciliations in the Sheriff's Office

Condition: The Sheriff's Office accounts for inmate monies in a separate bank account. While reviewing internal controls at the office we observed that the bank account is not reconciled to the listing of cash held for each inmate and in total. We also noted the same individual who receives and records inmate account collections also receives the

bank statement. The bank statement is reconciled to current month recorded transactions and not to the ending cash balance. Even this partial bank reconciliation is not reviewed by anyone independent of this function, and the effectiveness of the reconciliation process is weakened because the ending balance is not reconciled to any records. Because there is no review of these processes and records by an independent party, inmate cash receipts could be removed and the related cash deposit could be reduced without anyone detecting the variance between these amounts and the accounting records.

Recommendation: We recommend that all bank accounts be reconciled by someone independent of the functions of receiving and recording cash. When reconciling the bank statements, the bank balance should be adjusted for reconciling items (outstanding checks and deposits in transit), and the resulting balance should be agreed to the records of monies held on behalf of the inmates. Any differences should be brought to the attention of the Sheriff and immediately investigated.

County's Response: The Adair County Sheriff's Office will contact two local Certified Public Accountants. The Adair County Sheriff's Office will request bids to independently review accounts on a quarterly basis. The Adair County Sheriff's Office will take any measures to comply with the recommendations of the Auditor.

The Adair County Commission will take Chief Deputy Logston's recommendations into serious consideration.

6. Staffing and Segregation of Duties in Sheriff's Office

Condition: The Sheriff employs an office manager who oversees the administrative and financial aspects of the office. The individual who records and accounts for inmate monies is the office manager's daughter. This situation reduces the ability to provide an independent review of transactions and bank reconciliations and also may result in less effective supervision.

Recommendation: We recommend the County adopt a policy prohibiting the supervision of an employee or an employee's work by a relative.

County's Response: Emily Cuculich Gleason's daughter worked as an administrative assistant from July 8, 2004 to November 1, 2006. At that time Cuculich's position changed to a full time Deputy Sheriff. Since then she has occasionally filled in to train new administrative assistants. As of November 1, 2006 Barb Rogers moved from a jailer position to administrative assistant. After the investigation into missing monies, Barb Rogers resigned on July 8, 2008 from the Sheriff's Office. Since that time Cuculich has been training two new administrative assistants. Also during that time Gleason has not been reconciling accounts. The Adair County Sheriff's Office will take any measures to comply with the recommendations of the Auditor.

The Adair County Commission will adopt a policy prohibiting the supervision of an employee or an employee's work by a relative.

ITEMS OF NONCOMPLIANCE

7. Preparation of Schedule of Expenditure of Federal Awards

Condition: The County does not have adequate procedures in place to track federal

awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the County's SEFA contained errors and omissions. Expenditures were significantly understated by amounts of approximately \$200,000 and \$500,000 in each of the years ended December 31, 2007 and 2006. This was caused principally by the omission of the Narcotics Control Assistance Program and the Community Development Block Grant.

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

Recommendation: We recommend the County Commission and the County Clerk work together to ensure the accuracy of the Schedule of Expenditure of Federal Awards. The County Commission should take steps to ensure all departments and/or officials properly track federal awards so that all federal awards can be identified and properly reported on the SEFA.

Procedures for checking the SEFA should include:

- surveying departmental officials with respect to Federal awards they have received and expended,
- agreeing amounts on the schedule to the County's financial statements, and
- reading the financial statements with an objective of identifying any Federal funds that are not reported on the Schedule.

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

County's Response: The County Commission and the County Clerk will work together to ensure the accuracy of the Schedule of Expenditures of Federal Awards.

Auditor's Response: The Corrective Action Plan is considered adequate.

8. Investment Policy

The County has not adopted an investment policy. Investment policies are established to ensure that investments made by the county appropriately commit the county to investments for safety, liquidity, and yield. RSMo 30.950 requires political subdivision with authority to invest in instruments other than depository accounts to have an investment policy.

Recommendation: We suggest that the County Commission adopt an investment policy in accordance with RSMo 30.950.

County Response: The County Commission will adopt an investment policy in accordance with RSMo 30.950.

9. 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 12 different

funds for which expenditures were approved for payment which exceed the approved budget. These funds were:

- Assessment - 2007
- Senate Bill 40 – 2006 and 2007
- 911 – 2007
- Violence Intervention – 2006 and 2007
- Milliken Cemetary – 2007
- HAVA – 2007
- Recorder’s User Fund – 2007
- Collector’s Tax Fund – 2007
- Criminal Cost – 2006 and 2007
- Law Enforcement Training - 2006
- Prosecuting Attorney Administration – 2006
- Juvenile Justice Center – 2006
- Sheriff Revolving – 2007
- Juvenile Grant Operations – 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 Response: The County Commission will attempt to establish controls to ensure that disbursements are not approved in excess of the approved budget. Senate Bill 40, 911, Violence Intervention, and Criminal Cost are accounts that are listed in the County budget, but the County can only estimate the amount of revenue and expenses associated with these accounts. The Recorder’s User Fund, Collector’s Tax Fund, Prosecuting Attorney Administration and Sheriff’s Revolving Fund are not required, but preferred by the State auditors to be listed in the County budget. The County has no control over the expenditures that could occur in these accounts.

OTHER MATTERS

In planning and performing our audit of the financial statements of Adair 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 August 7, 2008. (A separate report dated August 7, 2008 contains our report on significant deficiencies in the County’s internal control). This document does not affect our report dated August 7, 2008.

10. Documentation of Departmental Collections

Condition: Various County officeholders collect revenues from the sale of maps and other items, fees, taxes, and charges for services. These revenues are generally noted on a form that accompanies the deposit of cash with the Treasurer. During the audit we observed that the listings are not consistently detailed, totaled and signed in order that the Treasurer can readily determine that the cash transmitted is correct and supported by the accounting document. This failure to total and sign the document places the Treasurer in the untenable position of receiving cash and checks without an ability to determine whether there is an error in the amount transmitted.

Recommendation: We recommend that officeholders who collect cash provide a summary of the collections, by type of revenue, totaled and signed by the individual responsible for the deposit with the Treasurer.

County's Response: We will contact the elected officials who collect cash to provide a summary of the collections by type of revenue, totaled and signed by the individual responsible for the deposit with the Treasurer.

ADAIR 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 Adair County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2005 and 2004.

1. Problems were noted regarding receipt and disbursement classifications in county budgets. Additional budget concerns included no budget for several smaller funds and actual disbursements exceeded budgeted amounts in several funds. See finding No. 9.

Status- Not implemented

2. Bid and other supporting documentation for disbursements was not always retained and the county had not entered into written agreements for some services.

Status- Implemented

3. The County Clerk does not verify the accuracy of the current and delinquent tax books as required by state statute. In addition, the County Commission and County Clerk are not providing a review of the activities of the County Collector and some tax abatements were not approved by court order. See finding No. 1.

Status-Not Implemented regarding the County Clerk's duties; Implemented regarding the County Commission's duties.

4. Sheriff's office procedures relating to processing of monies, unidentified monies, old outstanding checks, and contract monitoring were in need of improvement. See finding Nos.4, 5 and 6.

Status- Not implemented