



**SUSAN MONTEE, CPA**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Knox County, Missouri

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

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

Susan Montee, CPA  
State Auditor

December 2008  
Report No. 2008-91

**THE COUNTY OF KNOX, MISSOURI**

**ANNUAL FINANCIAL REPORT**

December 31, 2007 and 2006

THE COUNTY OF KNOX, MISSOURI  
TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
List of Elected Officials -----	1
FINANCIAL SECTION	
Independent Auditors' Report -----	2
BASIC FINANCIAL STATEMENTS:	
<i>Governmental Funds:</i>	
Statement of Receipts, Disbursements and Changes in Cash – All Governmental Funds -----	4
Comparative Statements of Receipts, Disbursements and Changes in Cash – Budget and Actual – All Governmental Funds -----	5
<i>Fiduciary Funds:</i>	
Statements of Assets and Liabilities Arising From Cash Transactions – Agency Funds -----	14
Notes of Financial Statements -----	15
COMPLIANCE SECTION	
AUDITORS' REPORTS PURSUANT TO GOVERNMENTAL AUDITING STANDARDS	
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 -----	22
Findings and Recommendations -----	24
Schedule of Prior Year Audit Findings-----	31

# **INTRODUCTORY SECTION**

## List of Elected Officials

### *County Commission*

Presiding Commissioner - L.P. (Pete) Mayfield

Eastern District Commissioner - Michael McGinnis

Western District Commissioner - Terry Marble

### *Other Elected Officials*

Assessor - Vance Parrish

Associate Division Judge – William Alberty

Circuit Clerk – James R. Gibbons

Collector – Brent Karhoff

Coroner – Jeff Doss

County Clerk – Debbie McCurren

Prosecuting Attorney – David Brown

Public Administrator – Kathy Poore

Recorder – Sandy Woods

Sheriff – Mike Kite

Treasurer – Allen Gudehus

SUITE 900  
1111 MAIN STREET  
KANSAS CITY, MO 64105  
TELEPHONE: (816) 221.4559  
FACSIMILE: (816) 221.4563  
EMAIL: [McBRIDELock@EARTHlink.NET](mailto:McBRIDELock@EARTHlink.NET)  
CERTIFIED PUBLIC ACCOUNTANTS

---

## McBRIDE, LOCK & ASSOCIATES

### INDEPENDENT AUDITORS' REPORT

To the County Commission and Officeholders of Knox County, Missouri

We have audited the accompanying financial statements of Knox County, Missouri as of and for the years ended December 31, 2007 and 2006, 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 audits.

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.

The County has not established adequate internal controls over the budgeting and purchasing/cash disbursements processes to ensure that disbursements of County funds are for authorized purposes or that all such disbursements are recorded in the financial statements. The effects on the financial statements of these internal control deficiencies is not reasonably determinable.

As described more fully in Note 1, Knox 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 Knox County, Missouri, as of December 31, 2007 and 2006, or the changes in its financial position for the years then ended.

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

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

(Original signed by Auditor)

McBride, Lock & Associates  
July 25, 2008

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

Fund	Cash			Cash			Cash
	January 1 2006 (restated)	Receipts 2006	Disbursements 2006	December 31 2006	Receipts 2007	Disbursements 2007	December 31 2007
General Revenue	\$ 202,342	679,366	698,421	183,287	673,594	718,298	138,583
Special Road and Bridge	209,949	1,295,683	1,478,149	27,483	1,343,887	1,053,160	318,210
Assessment	4,484	100,826	92,876	12,434	114,967	102,870	24,531
Law Enforcement	5,310	245,480	245,285	5,505	277,537	269,009	14,033
Local Emergency Planning Comm.	13,983	4,110	16,390	1,703	3,638	5,319	22
Children's Trust	2,994	1,140	-	4,134	1,063	-	5,197
Election	756	8,926	8,801	881	22,024	10,403	12,502
Crime	2,240	3,381	2,409	3,212	4,249	2,781	4,680
Prosecuting Attorney Training	202	243	-	445	182	-	627
Help America Vote Act	14,862	779	3,363	12,278	65,512	77,788	2
Sever Lake	15,713	4,054	9,610	10,157	23,249	13,285	20,121
Law Enforcement Training	1,632	1,526	1,086	2,072	1,198	1,792	1,478
Sheriff's Fees	7,960	7,398	2,831	12,527	6,627	9,729	9,425
Technology	1,580	1,220	2,000	800	1,178	-	1,978
Users Fees	2,523	2,025	4,130	418	1,965	1,332	1,051
Collector's Maintenance	2,458	4,187	1,733	4,912	5,584	2,780	7,716
Economic Development	103,824	4,957	-	108,781	5,879	-	114,660
<b>Total</b>	<b>\$ 592,812</b>	<b>2,365,301</b>	<b>2,567,084</b>	<b>391,029</b>	<b>2,552,333</b>	<b>2,268,546</b>	<b>674,816</b>

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



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

	GENERAL FUND			
	Year Ended December 31,			
	2006		2007	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
<b>RECEIPTS</b>				
Property taxes	\$ 150,567	151,962	173,300	174,598
Sales taxes	270,000	254,427	265,000	263,756
Intergovernmental	10,000	10,778	61,000	9,700
Charges for services	84,570	89,470	96,010	143,975
Interest	5,000	15,042	12,000	12,164
Other	14,170	58,993	11,835	24,785
Transfers in	98,518	98,694	75,430	44,616
Total Receipts	<u>632,825</u>	<u>679,366</u>	<u>694,575</u>	<u>673,594</u>
<b>DISBURSEMENTS</b>				
County Commission	76,403	78,608	77,425	75,204
County Clerk	56,993	56,697	54,810	56,039
Elections	20,000	18,835	-	-
Buildings and grounds	110,960	89,893	110,741	90,552
Employee fringe benefits	94,000	102,280	91,500	84,000
County Treasurer	27,490	27,345	35,550	33,552
Collector	55,148	54,412	57,504	56,984
Recorder of Deeds	18,108	-	41,200	37,994
Circuit Clerk	-	18,004	15,375	10,418
Associate Circuit Court	5,375	-	-	-
Court administration	624	112	2,157	775
Public Administrator	22,250	21,863	22,868	22,063
Prosecuting Attorney	59,506	59,438	61,288	61,637
Juvenile Officer	22,024	22,134	18,506	18,505
Coroner	13,595	11,765	13,473	13,160
Other	49,367	64,035	59,935	56,451
Transfers out	77,000	65,500	80,666	100,964
Emergency fund	50,000	7,500	50,000	-
Total Disbursements	<u>758,843</u>	<u>698,421</u>	<u>792,998</u>	<u>718,298</u>
<b>RECEIPTS OVER (UNDER)</b>				
DISBURSEMENTS	(126,018)	(19,055)	(98,423)	(44,704)
CASH, JANUARY 1	202,342	202,342	183,287	183,287
CASH, DECEMBER 31	<u>\$ 76,324</u>	<u>183,287</u>	<u>84,864</u>	<u>138,583</u>

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

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

	ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<b>RECEIPTS</b>								
Property taxes	\$ 339,166	343,152	364,796	346,655	-	-	-	-
Sales taxes	140,000	127,246	132,000	131,923	-	-	-	-
Intergovernmental	905,400	684,943	633,100	735,942	79,780	82,921	80,462	85,533
Charges for services	-	-	-	-	1,700	1,545	750	1,092
Interest	10,000	11,496	11,500	13,727	400	760	760	1,815
Other	81,000	122,647	40,500	109,460	100	100	-	861
Transfers in	9,849	6,199	6,180	6,180	21,000	15,500	25,666	25,666
Total Receipts	<u>1,485,415</u>	<u>1,295,683</u>	<u>1,188,076</u>	<u>1,343,887</u>	<u>102,980</u>	<u>100,826</u>	<u>107,638</u>	<u>114,967</u>
<b>DISBURSEMENTS</b>								
Salaries	270,000	247,993	250,000	232,784	65,693	67,753	71,525	71,455
Employee fringe benefits	88,000	76,153	77,000	81,348	11,026	8,440	12,372	9,381
Materials and Supplies	692,500	625,488	492,800	365,988	11,100	7,869	11,870	8,729
Services and Other	100,550	94,707	115,650	55,000	14,807	8,814	13,707	13,305
Capital Outlay	27,500	11,158	41,000	35,405	-	-	-	-
Construction	406,400	321,710	170,000	238,291	-	-	-	-
Transfers out	100,518	100,940	44,344	44,344	-	-	-	-
Total Disbursements	<u>1,685,468</u>	<u>1,478,149</u>	<u>1,190,794</u>	<u>1,053,160</u>	<u>102,626</u>	<u>92,876</u>	<u>109,474</u>	<u>102,870</u>
<b>RECEIPTS OVER (UNDER)</b>								
DISBURSEMENTS	(200,053)	(182,466)	(2,718)	290,727	354	7,950	(1,836)	12,097
CASH, JANUARY 1	<u>209,949</u>	<u>209,949</u>	<u>27,483</u>	<u>27,483</u>	<u>4,484</u>	<u>4,484</u>	<u>12,434</u>	<u>12,434</u>
CASH, DECEMBER 31	<u>\$ 9,896</u>	<u>27,483</u>	<u>24,765</u>	<u>318,210</u>	<u>4,838</u>	<u>12,434</u>	<u>10,598</u>	<u>24,531</u>

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

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

	LAW ENFORCEMENT FUND				LEPC FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<b>RECEIPTS</b>								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	135,000	127,209	133,000	131,886	-	-	-	-
Intergovernmental	58,300	39,692	58,000	56,579	5,000	3,771	4,000	3,518
Charges for services	10,000	9,122	10,000	11,611	-	-	-	-
Interest	600	837	800	1,089	90	339	100	120
Other	2,500	564	500	1,372	-	-	-	-
Transfers in	65,000	68,056	71,000	75,000	-	-	-	-
Total Receipts	<u>271,400</u>	<u>245,480</u>	<u>273,300</u>	<u>277,537</u>	<u>5,090</u>	<u>4,110</u>	<u>4,100</u>	<u>3,638</u>
<b>DISBURSEMENTS</b>								
Salaries	166,858	170,462	179,887	172,194	-	-	-	-
Employee fringe benefits	20,000	26,935	-	27,097	-	-	-	-
Materials and Supplies	36,170	21,302	38,470	31,923	-	800	-	-
Services and Other	44,200	26,586	48,480	37,795	10,000	15,590	4,000	5,319
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	3,500	-	-	-	-	-	-	-
Total Disbursements	<u>270,728</u>	<u>245,285</u>	<u>266,837</u>	<u>269,009</u>	<u>10,000</u>	<u>16,390</u>	<u>4,000</u>	<u>5,319</u>
<b>RECEIPTS OVER (UNDER)</b>								
DISBURSEMENTS	672	195	6,463	8,528	(4,910)	(12,280)	100	(1,681)
CASH, JANUARY 1	5,310	5,310	5,505	5,505	13,983	13,983	1,703	1,703
CASH, DECEMBER 31	<u>\$ 5,982</u>	<u>5,505</u>	<u>11,968</u>	<u>14,033</u>	<u>9,073</u>	<u>1,703</u>	<u>1,803</u>	<u>22</u>

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

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

	CHILDREN'S TRUST FUND				ELECTION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<b>RECEIPTS</b>								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	5,301	8,000	21,619
Charges for services	200	978	1,000	824	-	-	-	-
Interest	20	162	150	239	25	125	125	107
Other	-	-	-	-	4,500	78	100	-
Transfers in	-	-	-	-	3,000	3,422	-	298
Total Receipts	<u>220</u>	<u>1,140</u>	<u>1,150</u>	<u>1,063</u>	<u>7,525</u>	<u>8,926</u>	<u>8,225</u>	<u>22,024</u>
<b>DISBURSEMENTS</b>								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	7,500	8,272	8,000	10,132
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	529	-	271
Total Disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,500</u>	<u>8,801</u>	<u>8,000</u>	<u>10,403</u>
<b>RECEIPTS OVER (UNDER)</b>								
DISBURSEMENTS	220	1,140	1,150	1,063	25	125	225	11,621
CASH, JANUARY 1	<u>2,994</u>	<u>2,994</u>	<u>4,134</u>	<u>4,134</u>	<u>756</u>	<u>756</u>	<u>881</u>	<u>881</u>
CASH, DECEMBER 31	<u>\$ 3,214</u>	<u>4,134</u>	<u>5,284</u>	<u>5,197</u>	<u>781</u>	<u>881</u>	<u>1,106</u>	<u>12,502</u>

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

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

	CRIME FUND				PROSECUTING ATTORNEY TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<b>RECEIPTS</b>								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	3,500	3,243	3,500	4,070	245	228	240	155
Interest	60	138	150	179	15	15	15	27
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>3,560</u>	<u>3,381</u>	<u>3,650</u>	<u>4,249</u>	<u>260</u>	<u>243</u>	<u>255</u>	<u>182</u>
<b>DISBURSEMENTS</b>								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	1,150	2,409	2,500	2,781	50	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>1,150</u>	<u>2,409</u>	<u>2,500</u>	<u>2,781</u>	<u>50</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>RECEIPTS OVER (UNDER)</b>								
DISBURSEMENTS	2,410	972	1,150	1,468	210	243	255	182
CASH, JANUARY 1	<u>2,240</u>	<u>2,240</u>	<u>3,212</u>	<u>3,212</u>	<u>202</u>	<u>202</u>	<u>445</u>	<u>445</u>
CASH, DECEMBER 31	<u>\$ 4,650</u>	<u>3,212</u>	<u>4,362</u>	<u>4,680</u>	<u>412</u>	<u>445</u>	<u>700</u>	<u>627</u>

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

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

	HAVA FUND				SEVER LAKE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<b>RECEIPTS</b>								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	64,000	139	64,000	64,609	600	406	500	421
Charges for services	-	-	-	-	12,000	3,003	5,000	22,304
Interest	500	640	1,000	532	200	587	600	495
Other	-	-	-	100	14	58	15	29
Transfers in	-	-	-	271	-	-	-	-
Total Receipts	<u>64,500</u>	<u>779</u>	<u>65,000</u>	<u>65,512</u>	<u>12,814</u>	<u>4,054</u>	<u>6,115</u>	<u>23,249</u>
<b>DISBURSEMENTS</b>								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	64,000	2,612	65,300	77,352	8,249	4,930	7,250	8,778
Services and Other	-	751	1,500	436	4,355	4,680	3,569	4,507
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>64,000</u>	<u>3,363</u>	<u>66,800</u>	<u>77,788</u>	<u>12,604</u>	<u>9,610</u>	<u>10,819</u>	<u>13,285</u>
<b>RECEIPTS OVER (UNDER)</b>								
DISBURSEMENTS	500	(2,584)	(1,800)	(12,276)	210	(5,556)	(4,704)	9,964
CASH, JANUARY 1	<u>14,862</u>	<u>14,862</u>	<u>12,278</u>	<u>12,278</u>	<u>15,713</u>	<u>15,713</u>	<u>10,157</u>	<u>10,157</u>
CASH, DECEMBER 31	<u>\$ 15,362</u>	<u>12,278</u>	<u>10,478</u>	<u>2</u>	<u>15,923</u>	<u>10,157</u>	<u>5,453</u>	<u>20,121</u>

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

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

	LAW ENFORCEMENT TRAINING FUND				SHERIFF'S FEES FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<b>RECEIPTS</b>								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	280	-	-	-	58
Charges for services	980	945	950	330	10,000	6,921	7,500	5,390
Interest	40	81	80	88	300	477	500	528
Other	500	500	500	500	-	-	-	651
Transfers in	-	-	-	-	-	-	-	-
<b>Total Receipts</b>	<b>1,520</b>	<b>1,526</b>	<b>1,530</b>	<b>1,198</b>	<b>10,300</b>	<b>7,398</b>	<b>8,000</b>	<b>6,627</b>
<b>DISBURSEMENTS</b>								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	3,000	1,383	8,000	2,454
Services and Other	2,500	1,086	2,500	1,792	7,000	1,448	8,000	7,275
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
<b>Total Disbursements</b>	<b>2,500</b>	<b>1,086</b>	<b>2,500</b>	<b>1,792</b>	<b>10,000</b>	<b>2,831</b>	<b>16,000</b>	<b>9,729</b>
<b>RECEIPTS OVER (UNDER)</b>								
<b>DISBURSEMENTS</b>	(980)	440	(970)	(594)	300	4,567	(8,000)	(3,102)
<b>CASH, JANUARY 1</b>	<b>1,632</b>	<b>1,632</b>	<b>2,072</b>	<b>2,072</b>	<b>7,960</b>	<b>7,960</b>	<b>12,527</b>	<b>12,527</b>
<b>CASH, DECEMBER 31</b>	<b>\$ 652</b>	<b>2,072</b>	<b>1,102</b>	<b>1,478</b>	<b>8,260</b>	<b>12,527</b>	<b>4,527</b>	<b>9,425</b>

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

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

	TECHNOLOGY FUND				USERS FEES FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<b>RECEIPTS</b>								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	1,000	1,171	1,000	-	1,800	1,930	1,900	1,928
Interest	10	49	50	68	10	95	100	37
Other	-	-	-	1,110	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>1,010</u>	<u>1,220</u>	<u>1,050</u>	<u>1,178</u>	<u>1,810</u>	<u>2,025</u>	<u>2,000</u>	<u>1,965</u>
<b>DISBURSEMENTS</b>								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	2,000	1,000	-	-	2,431	-	-
Services and Other	-	-	-	-	-	1,699	1,600	1,332
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>-</u>	<u>2,000</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>4,130</u>	<u>1,600</u>	<u>1,332</u>
<b>RECEIPTS OVER (UNDER)</b>								
DISBURSEMENTS	1,010	(780)	50	1,178	1,810	(2,105)	400	633
CASH, JANUARY 1	<u>1,580</u>	<u>1,580</u>	<u>800</u>	<u>800</u>	<u>2,523</u>	<u>2,523</u>	<u>418</u>	<u>418</u>
CASH, DECEMBER 31	<u>\$ 2,590</u>	<u>800</u>	<u>850</u>	<u>1,978</u>	<u>4,333</u>	<u>418</u>	<u>818</u>	<u>1,051</u>

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



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

	COLLECTOR'S MAINTENANCE FUND				ECONOMIC DEVELOPMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<b>RECEIPTS</b>								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	6,200	3,991	4,000	5,244	-	-	-	-
Interest	100	196	200	340	3,000	4,957	5,000	5,879
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>6,300</u>	<u>4,187</u>	<u>4,200</u>	<u>5,584</u>	<u>3,000</u>	<u>4,957</u>	<u>5,000</u>	<u>5,879</u>
<b>DISBURSEMENTS</b>								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	2,500	-	500	325	-	-	-	-
Services and Other	2,200	1,733	2,299	2,455	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>4,700</u>	<u>1,733</u>	<u>2,799</u>	<u>2,780</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>RECEIPTS OVER (UNDER)</b>								
DISBURSEMENTS	1,600	2,454	1,401	2,804	3,000	4,957	5,000	5,879
CASH, JANUARY 1	<u>2,458</u>	<u>2,458</u>	<u>4,912</u>	<u>4,912</u>	<u>103,824</u>	<u>103,824</u>	<u>108,781</u>	<u>108,781</u>
CASH, DECEMBER 31	<u>\$ 4,058</u>	<u>4,912</u>	<u>6,313</u>	<u>7,716</u>	<u>106,824</u>	<u>108,781</u>	<u>113,781</u>	<u>114,660</u>

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

KNOX COUNTY, MISSOURI  
 FIDUCIARY FUNDS - AGENCY FUNDS  
 YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2007  
 STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS  
 REGULATORY BASIS

Agency Fund	2007		2006	
	Cash and Cash Equivalents	Due to Others	Cash and Cash Equivalents	Due to Others
Other Officeholder Funds	\$ 5,778	5,778	1,345	1,345
Collector	2,986,536	2,986,536	2,727,057	2,727,057
County Employee Retirement Fund	1,522	1,522	1,755	1,755
Rock Creek Cemetary	350	350	443	443
Criminal Cost	-	-	-	-
Davis Cemetary	1,477	1,477	-	-
Overplus	577	577	544	544
Unclaimed	747	747	348	348
Restitution	2,950	2,950	203	203
Interest and Fines	45,028	45,028	60,720	60,720
Undistributed Schools	22,851	22,851	36	36
Total	<u>\$ 3,067,816</u>	<u>3,067,816</u>	<u>2,792,451</u>	<u>2,792,451</u>

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Knox County, Missouri ("County"), is governed by a three-member board of commissioners. In addition to the three board members, there are eleven elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk, Associate Division Judge, Coroner, Collector, Prosecuting Attorney, Public Administrator, Recorder, 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 Knox 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 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.
9. Adoption of a formal budget is required by law, the county did adopt a formal budget for all funds.
10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:
  - a. Law Enforcement Fund - 2007
  - b. LEPC Fund – 2006 and 2007
  - c. Election Fund – 2006 and 2007
  - d. Crime Fund – 2006 and 2007
  - e. HAVA Fund - 2007
  - f. Sever Lake Fund - 2007
  - g. Technology Fund - 2006
  - h. User Fee Fund - 2006

E. Property Taxes

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, set forth in Form 1039 submitted to the Missouri Department of Revenue Taxation Bureau March 13, 2008 and March 19, 2007 respectively was:

	<u>2007</u>	<u>2006</u>
Real Estate	\$ 30,898,333	27,455,648
Personal Property	16,567,546	15,671,284
Railroad and Utilities	5,761,776	5,240,461

During 2007 and 2006 the County Commission approved a \$0.28 and \$0.30 tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2007 and 2006, for purposes of County taxation, as follows:

	<u>2007</u>	<u>2006</u>
General Revenue Fund	<u>\$.2800</u>	<u>\$.3000</u>

## F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

## 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 \$3,742,632 and \$3,183,480 and the bank balance was \$2,286,342 and \$2,215,953, respectively. Of the bank balances, \$218,286 and \$208,111 for December 31, 2007 and 2006, respectively, were covered by federal depository insurance and \$2,068,056 and \$2,007,842, respectively, were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its 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 (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

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

#### B. Pension Benefits

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

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

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

#### C. Funding Policy

Pursuant to State Statutes, CERF is partially funded from a portion of delinquent property tax penalties and other penalties and fees. Further, a contribution to CERF of 4% to 6% of gross compensation, depending on LAGERS participation, is required for all participants hired on or after February 2002. A contribution of 0% to 4% of compensation, depending on LAGERS participation, is required of employees hired before February 2002. A lesser contribution requirement applies to employees who participate in LAGERS. The source of funding of these contributions is determined by each county. During 2007 and 2006, the County collected and remitted to CERF employee contributions of approximately for \$20,189 and \$19,714, respectively, for the years then ended, equal to the required contributions.

#### 4. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County is indebted to contribute \$2,057 and \$2,431, respectively, for the years ended December 31, 2007 and 2006.

#### 5. 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.

## 6. CLAIMS COMMITMENTS AND CONTINGENCIES

### A. Compensated Absences

The County provides full time employees who have completed three months of service, with up to 90.5 days of sick time -- to accrue at two days per complete calendar month of employment up to 90.5 days. Upon termination, the employee is not compensated for accrued sick time. Vacation time is earned for every full time employee who has completed their one year introductory period. For employees with one to five years of service they earn five days of vacation and five personal days per year. For employees with over five year's service, 10 days of vacation and 10 personal days are earned each year. Employees can not accrue unused vacation or personal time.

### B. Federal and State Assisted Programs

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

## 7. 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.



## 8. 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.

SUITE 900  
1111 MAIN STREET  
KANSAS CITY, MO 64105  
TELEPHONE: (816) 221.4559  
FACSIMILE: (816) 221.4563  
EMAIL: [McBRIDELOCK@EARTHLINK.NET](mailto:McBRIDELOCK@EARTHLINK.NET)  
CERTIFIED PUBLIC ACCOUNTANTS

---

## 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 Knox County, Missouri

We have audited the financial statements of Knox County, Missouri as of and for the years ended December 31, 2007, and December 31, 2006 which collectively comprise the County of Knox, Missouri's basic financial statements and have issued our report thereon dated July 25, 2008 in which we gave a qualified opinion based upon a lack of internal controls over the budgeting and purchasing/cash disbursement processes. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audits, we considered Knox 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 Knox County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Knox 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 Knox 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 Knox County, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the Knox County, Missouri's internal control. We consider the deficiencies described in the accompanying schedule of findings and recommendations to be significant deficiencies in internal control over financial reporting. See findings 1-8.

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 Knox 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 controls that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 1-5 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Knox 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as items 9-12.

Knox 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 Knox 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

July 25, 2008

KNOX COUNTY, MISSOURI  
Findings and Recommendations

**MATERIAL WEAKNESSES IN INTERNAL CONTROL**

1. Lack of Controls Over Adjustments to Property Tax Bills

Condition: State Statutes provide that the duties of property assessment, property tax billing and property tax collection be handled by separate offices within the counties. This separation is designed to eliminate the ability of any one official to initiate and conceal an irregularity with respect to property taxes.

The property tax system at Knox County is not in accordance with the statutes and does not provide for separation of incompatible functions. While the Assessor determines and documents the original assessed values, subsequent changes to those values can be made by the Collector. Because the Collector can access the property tax system and adjust tax bills, any cash collection that was not recorded or deposited could be concealed by simply abating the tax bill.

We were advised that the County Clerk reviews the form (an assessment list) which documents the abatement, but this review is only effective if the Collector provides the form to the Clerk and if the Clerk either knows or understands the situation generating the abatement.

Recommendation: We recommend that access to the property tax rolls be immediately restricted to only personnel in the Assessor's Office. All changes to the tax bills should require an authorized addition or abatement, approved by the Assessor and the Presiding Commissioner, with a copy to the Clerk. The Clerk should maintain an independent record of the additions and abatements and reconcile these amounts to the Collector's monthly statement.

This system will provide assurance that only authorized changes to the assessed valuations and property tax bills are processed.

County's Response: "Take under advisement. Have already started making these changes."

2. Verification of Collector's Records

Condition: We were advised that the County Clerk maintains separate records from the Collector for use in balancing to the Collector each month. Upon further review, we learned that the records are provided to the Clerk by the Collector, in the form of receipt totals, property lists (for additions or abatements) and disbursement totals. Unfortunately this system is only effective if all receipts are accurately reported on the list, all property lists are provided and disbursement totals are accurate. None of these conditions is assured by the present processes.

We also noted that the Road and Bridge Fund property tax revenue presented in the County's 07 financial statements, as published in the 2008 budget, is \$20,000 less than the amount that the Collector actually remitted to the Treasurer, as verified by both the Collector and the Treasurer. The Clerk was unable to explain this discrepancy except to note that there must have been a posting error somewhere.

Recommendation: We recommend the County Clerk review the Collector's Monthly Settlement for completeness prior to accepting it. This review process should include totaling the document.

We also recommend the County Clerk obtain receipt information from the computer-generated monthly Collector's cash receipts listing, obtain addition and abatement totals directly from the Assessor, obtain disbursement information from check copies, and agree the collection and disbursement information to the actual bank statement on a test basis. This system will require minimal time and will provide an effective internal control.

County's Response: "Take under advisement."

### 3. Verification of Treasurer's Settlement

Condition: One of the duties mandated of the County Clerk is to balance with the Treasurer on a monthly basis. The Clerk's financial statements do not reconcile to the Treasurer's Semi-Annual Settlement and bank accounts due to the omission of an entire fund from the Treasurer's Settlement. The omission which resulted in an incorrect total would have been evident if an adequate reconciliation process existed between the Clerk and the Treasurer.

We also noted that the balancing process in place does not include the Clerk viewing the Treasurer's bank statement. Instead, the Clerk uses receipt and check copies, both of which are provided by the Treasurer, to balance to the Treasurer's records. The Clerk has no way of determining whether all receipts and checks were provided because the Clerk does not actually see the bank statement. Therefore, if the Treasurer failed to write a receipt or wrote a receipt in the wrong amount from another receipt book not given to the Clerk, or if the Treasurer wrote an improper check with a later check number sequence, the Clerk's review would not detect the irregularity.

Recommendation: We recommend the County Clerk reconcile the Clerk's records to the Treasurer's records, by fund, as required by State Statute. The Clerk should also agree the receipt copies and check copies directly to the Treasurer's bank statement, and maintain a balance which can be agreed to the

Treasurer's reconciled bank statement. These procedures will require minimal additional time and will provide an effective balancing between the Treasurer and Clerk.

County's Response: "Take under advisement. Treasurer will provide a copy of bank statement."

### 4. Inadequate Controls Over the Check-Writing Function

Condition: One signature stamp exists with all three signatures required to issue a county check. Both this stamp and the blank check stock are maintained by the Treasurer. In addition, another series of checks on the same account requires only the

Treasurer's signature. The blank check stock for these checks is also maintained by the Treasurer.

Recommendation: We recommend the County adopt a policy that requires the independent review and approval of all checks by the Treasurer, Clerk and Presiding Commissioner. The involvement of these officials provides for the Treasurer to ensure funds are available, the Clerk to ensure budgetary authority exists, and the Presiding Commissioner to ensure that the disbursement is for valid County purposes and in accordance with approved policy.

County's Response: "We feel we are doing this in a way that is already being implemented."

## **5. Inadequate Controls over County Purchases and Payments**

Condition: During our review of the purchasing and payments functions, we noted several internal control weaknesses that could allow erroneous payments or improper purchases to occur and remain undetected. These control deficiencies include:

- The process for payment of goods does not include noting "Paid" on actual invoices. At times the payment voucher is noted as paid and attached to the actual invoice, however, this is not consistently done. As a result, an invoice could be accidentally or intentionally presented for payment more than once.
- The County does not have a control to ensure that materials and equipment for which the County was invoiced were actually received, used for County operations and are properly invoiced. There is no standard process to affix accountability for receipt of goods or for their approval for payment. Invoices are not consistently signed or initialed by the County official or employee who actually receives them.
- Our audit tests of Road and Bridge expenditures revealed that several invoices of substantial dollar amounts were missing. The County has not been able to produce these invoices to date.

Recommendation: We recommend the County implement a purchasing process that is documented, communicated to all those involved in purchasing, and includes the following internal controls:

- All invoices are to be noted as "Paid" at the time they are approved. We have observed that in many counties that a County Commissioner stamps the invoice paid at the time it is reviewed and approved.
- All bills of lading, receiving reports or invoices are to be signed by the receiver of the item purchased.
- All invoices are to be organized in a logical manner, secured, and retained until completion of audits conducted by both the State Auditor and independent auditors. Invoices associated with purchases financed by Federal funds should be retained as required by the grantor.

County Response: “We feel we are doing this by Commissioners “Approving” and signing the voucher. We have contacted the Road/Bridge Supervisor about initialing shipping receipts, etc. We have all rock invoices. Will start stamping “paid” and have better filing system. Will take under advisement.”

## **SIGNIFICANT INTERNAL CONTROL DEFICIENCIES**

### **6. Financial Statement Accuracy**

Condition: The County’s 2006 financial statements do not agree with the financial statements for the same period, as reported in the 2007 budget. The County Clerk could not explain the difference except to note that there was an error.

Recommendation: We recommend the County Clerk document any changes to the accounting records or financial statements, particularly with respect to previously published financial statements. Changes occurring subsequent to the publication of financial statements can allow for the concealment of errors and irregularities in subsequent year’s financial statements.

County’s Response: “Will take under advisement.”

### **7. Inadequate Controls Over Payroll Processing**

Condition: The payroll clerk in the County Clerk’s office is responsible for entering new employee information with respect to rate of pay, position, and withholdings into the payroll system. The payroll clerk also receives time sheets from County employees, enters timesheet information (hours, leave time, etc) into the payroll system, enters salary changes as they occur, prepares payroll reports and notifies the Treasurer when payroll checks should be printed.

Recommendation: While we were advised that the payroll clerk checks her own work, there is no independent review of individual employee data entered, or totals input each pay period, such that errors or irregularities would be detected.

We recommend the County Clerk or her designee total the hours from time sheets submitted for processing and compare that total to the payroll register generated from the computer. This review should be documented. The Clerk should also review and initial a computer-generated edit listing of all changes to salary or personnel data.

County’s Response: “Will try to comply.”

### **8. Absence of Salary and Wage Rate Documentation or Approval**

Condition: We were advised that the County does not have a listing of approved employee salary and wage rates. While the Commission approves the budget and individual raises, there is no documented approval of the resulting salary levels, nor is this information available for use by the payroll clerk when entering the new payroll information, or by the County Clerk when reviewing payroll.

Recommendation: We recommend that, as part of the budget process, the Commission be provided a listing of employees and their current and proposed salaries. This list, when revised and approved, should be available to the payroll clerk

to facilitate her entry of new payroll information. The list should also be used by the County Clerk to check the clerk’s entry of new payroll levels into the payroll system.

County’s Response: “Will try to comply.”

**ITEMS OF NONCOMPLIANCE**

**9. Recording Board of Equalization Property Valuation Changes**

Condition: State Statutes provide that the Assessor is to prepare and file with the State a Form 11, which documents the initial assessed values of all property as of January 1 of each year. After the Board of Equalization meets in the summer, an updated Form 11A is to be filed reflecting changes occurring as a result of the Board of Equalization decisions as well as changes occurring during the normal course of business.

We noted during our audit that the Form 11 and the Form 11A are substantially identical, and do not reflect the changes made as of the filing date in October of each year. We also noted that the assessed valuations on the property tax rolls do not agree to the Form 11A. Accordingly, there is no property tax roll ever generated that corresponds to the certified assessed valuations upon which the approved levy is applied. It appears that the Assessor is certifying to the accuracy of valuations that are, in fact, outdated and no longer correct. Further, it appears that the Clerk is certifying to a tax roll that, if generated, would be incorrect.

Recommendation: We recommend the County adhere to the State-mandated processes and adjust the assessed valuation records as they occur, prior to the cut-off for printing the current year property tax billings. At that time the Assessor’s books should be used to prepare the Form 11A, and these same revised valuations should be used as the basis for the property tax rolls. This will reduce the subsequent processing of additions and abatements, requiring the abating and preparation of corrected tax bills which, as discussed previously, is a complicated process not subjected to effective internal controls.

County’s Response: “Will take under advisement”

**10. Budgetary Overages**

Condition: Disbursements exceeded budgeted amounts for the following funds:

Fund	Year Ended December 31,	
	2007	2006
Law Enforcement	\$ 2,172	N/A
LEPC	1,319	6,390
Election	2,403	1,301
Crime	281	1,258
HAVA	10,988	N/A
Sever Lake	2,466	N/A
Technology	N/A	2,000
User Fees	N/A	1,931



Strict compliance with county budget law is required by county officials. Such compliance helps ensure that county funds are effectively and appropriately managed. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved.

Recommendation: We recommend the County Commission amend the budget, while providing appropriate opportunity for public input, when it becomes evident that disbursements will exceed original budgeted amounts.

County's Response: "Will take under advisement."

## **11. Budgetary Procedures**

Condition: We were informed by the County Clerk that the budget creation process is based on the previous year's actual numbers or simply a "guess" with respect to the coming year's activity. We noted several significant budget compared to actual variances for which we could not obtain an explanation.

RSMo 50.550.1 states that "The annual budget shall present a complete financial plan for the ensuing budget year. It shall set forth all proposed expenditures for the administration, operation and maintenance of all offices, departments, commissions, courts and institutions; the actual or estimated operating deficits or surpluses from prior years; all interest and debt redemption charges during the year and expenditures for capital projects." The Statutes (RSMo 50.590) further require that:

*"The budget document shall include the following:*

*(1) A budget message outlining the fiscal policy of the government for the budget year and describing the important features of the budget plan, giving a general budget summary setting forth the aggregate figures of the budget in a manner to show the balanced relations between total proposed expenditures and total expected income and other means of financing the*

*budget compared with the corresponding figures for the last completed fiscal year and the current fiscal year, and including explanatory schedules classifying expenditures by organization units, objects and funds, and income by organization units, sources and funds."*

Recommendation: We recommend the County Clerk, Commission and Officeholders work together to draft an annual budget that can be supported by a plan of activities and programs, as well as research, trend analysis and other techniques for projecting both revenues and expenditures, as required by State Statute.

County Response: "Take under advisement."

## **12. Controls and Records of Investments**

Condition: The County does not have a written investment policy. In addition when the audit team inquired about investments owned by the County neither the Treasurer nor County Clerk could provide documentation identifying the investments owned by the County during the two years (2006 and 2007) under audit. Furthermore, a reconciliation of interest income per the bank statement compared to the amounts recorded in the financial statements showed variances in each year.

Recommendation: We recommend the County maintain an investment ledger, noting investments purchased, matured, and on hand, by institution and by maturity date. The interest rate and term should also be recorded. Such a record allows for all County investments to be confirmed as existing and under the ownership of the County, and also provides support for amounts recorded in the financial statements.

County's Response: "Take under advisement."

KNOX COUNTY, MISSOURI  
FOLLOW-UPON 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 Knox County, Missouri on the applicable findings in the prior audit report issued for the two years ended December 31, 2003, and 2002.

**Condition:** In December 2003, transactions were made that effectively lowered the cash balance of the Road and Bridge Fund by over \$150,000. The County prepaid certain vendors prior to receiving goods and services in amounts of approximately \$150,000. Prepaying for goods to be received at a later date could result in the county paying for goods or services not received.

**Current Status:** We did not identify this condition during the current audit.

**Condition:** There were several concerns regarding the County's personnel policies and procedures including a lack of timesheets and accurate leave records, payroll checks issued in advance, an employee received both sick leave and unemployment compensation for the same time period, and errors in the calculation and payment of overtime for a Sheriff's deputy. Similar concerns were noted in previous audit reports.

**Current Status:** Our audit revealed a lack of controls in payroll procedures. See finding numbers 7 and 8.

**Condition:** Formal budgets were not prepared for various county funds and, as noted in previous reports, actual disbursements exceeded the budgeted amounts in various funds. In addition, the county's budgets contained several misclassifications of receipts and disbursements. Also, as noted in previous reports, the annual published financial statements did not include some county funds and did not include complete financial activity of other county funds. The County did not properly calculate the property tax roll back in 2003 and 2002.

**Current Status:** Certain deficiencies in the budget process existed in 2006 and 2007. See finding numbers 10 and 11.

**Condition:** Controls over county disbursements needed improvement. Bids were not always solicited or documented and, as noted in previous reports, payments were approved without adequate supporting documentation and without acknowledgement of receipt of goods or services. In addition, written contracts were sometimes not prepared specifying the arrangements between applicable parties.

**Current Status:** Certain deficiencies in the disbursements process existed in 2006 and 2007. See finding numbers 4 and 5.

**Condition:** Controls over the preparation of and changes to the property tax books were not adequate. Prior audit reports have also addressed this problem with the County Clerk.

**Current Status:** Certain deficiencies concerning changes to the property tax books were identified in 2006 and 2007. See finding number 1.