



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of DeKalb County, Missouri

The Office of the State Auditor, in cooperation with DeKalb 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. 2008-93

DEKALB COUNTY, MISSOURI
ANNUAL FINANCIAL REPORT

December 31, 2007 and 2006

THE COUNTY OF DEKALB, MISSOURI
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INTRODUCTORY SECTION

DEKALB COUNTY, MISSOURI
LIST OF ELECTED OFFICIALS

County Commission

Presiding Commissioner – David R. “Dick” Lippold

Associate Commissioner – Gary McFee

Associate Commissioner – Wayne Colhour

Other Elected Officials

Assessor – Ruth Ross

Circuit Clerk – Clifton DeShon

Collector/ Treasurer – Joan (Jody) Pearl

Coroner – John Bram

County Clerk – Mary Berry

Prosecuting Attorney – Bart Spear

Public Administrator – Larry Wolf

Sheriff – Wesley Raines

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McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission and the County Officeholders of DeKalb County, Missouri

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

We conducted our audits in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit 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 in Note 1, the basic financial statements of the County of DeKalb, Missouri were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position — cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the County of DeKalb, Missouri, as of December 31, 2007 and 2006 and for the years then ended in conformity with the basis of accounting described in Note 1.

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

In accordance with Government Auditing Standards, we have also issued a report dated May 14, 2008 on our consideration for the primary government of the County of DeKalb, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

The Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances — Cash Basis — Budget and Actual — General Fund and Major Special Revenue Funds and the Departmental Schedule of

Expenditures — Cash Basis — Budget and Actual — General Fund on pages 17 through 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County of DeKalb, Missouri's basic financial statements. The accompanying Supplementary Information on page 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us 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
May 14, 2008

FINANCIAL SECTION

DEKALB COUNTY, MISSOURI
COMPARATIVE GOVERNMENT-WIDE STATEMENTS OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006 AND 2007

	December 31,	
	<u>2006</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ <u>1,133,351</u>	<u>1,100,179</u>
Total Assets	\$ <u><u>1,133,351</u></u>	<u><u>1,100,179</u></u>
NET ASSETS		
Unrestricted	\$ <u>1,133,351</u>	<u>1,100,179</u>
Total Net Assets	\$ <u><u>1,133,351</u></u>	<u><u>1,100,179</u></u>

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

DEKALB COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED DECEMBER 31, 2007

	Disbursements	Program Receipts		Excess
		Charges for Services	Intergovernmental	Disbursements Over Receipts and Changes in Net Assets
				Governmental Activities
GOVERNMENTAL ACTIVITIES				
General county government	\$ 615,788	118,486	153,644	(343,658)
Public works	1,787,114	9,690	1,074,177	(703,247)
Public safety	704,995	279,926	75,033	(350,036)
Health and welfare	35,697	776	-	(34,921)
Judicial	200,460	27,013	1,135	(172,312)
Total Governmental Activities	\$ <u>3,344,054</u>	<u>435,891</u>	<u>1,303,989</u>	<u>(1,604,174)</u>
GENERAL RECEIPTS				
Taxes				
Property taxes				\$ 2,892
Sales taxes				1,311,248
Interest				73,612
Other				183,250
Total General Receipts				<u>1,571,002</u>
Changes in Cash Balances				(33,172)
NET ASSETS, JANUARY 1				1,133,351
NET ASSETS, DECEMBER 31				\$ <u><u>1,100,179</u></u>

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

DEKALB COUNTY, MISSOURI
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
 YEAR ENDED DECEMBER 31, 2006

		Program Receipts		Excess Disbursements Over Receipts and Changes in Net Assets in Net Assets
	Disbursements	Charges for Services	Intergovernmental	Governmental Activities
GOVERNMENTAL ACTIVITIES				
General county government	\$ 658,231	92,388	307,214	(258,629)
Public safety	514,286	3,770	650,418	139,902
Judicial	220,183	264,248	88,446	132,511
Public works	1,599,799	807	-	(1,598,992)
Health and welfare	102,665	5,013	828	(96,824)
Total Governmental Activities	\$ 3,095,164	366,226	1,046,906	(1,682,032)
GENERAL RECEIPTS				
Taxes				
Property taxes				\$ 39,775
Sales taxes				1,273,227
Interest				74,307
Other				156,629
Total General Receipts				1,543,938
Changes in Cash Balances				(138,094)
NET ASSETS, JANUARY 1				1,271,445
NET ASSETS, DECEMBER 31				\$ 1,133,351

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

DEKALB COUNTY, MISSOURI
 COMPARATIVE GOVERNMENT-WIDE STATEMENTS OF NET ASSETS - CASH BASIS
 DECEMBER 31,

	GENERAL		ROAD AND BRIDGE		CAPITAL IMPROVEMENT		OTHER GOVERNMENTAL		TOTAL	
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
ASSETS										
Cash and cash equivalents	\$ 180,470	108,992	393,237	523,423	301,492	195,224	258,152	272,540	1,133,351	1,100,179
Total Assets	<u>\$ 180,470</u>	<u>108,992</u>	<u>393,237</u>	<u>523,423</u>	<u>301,492</u>	<u>195,224</u>	<u>258,152</u>	<u>272,540</u>	<u>1,133,351</u>	<u>1,100,179</u>
NET ASSETS										
Unrestricted	\$ 180,470	108,992	393,237	523,423	301,492	195,224	258,152	272,540	1,133,351	1,100,179
Total Net Assets	<u>\$ 180,470</u>	<u>108,992</u>	<u>393,237</u>	<u>523,423</u>	<u>301,492</u>	<u>195,224</u>	<u>258,152</u>	<u>272,540</u>	<u>1,133,351</u>	<u>1,100,179</u>

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

DEKALB COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31,

	GENERAL		ROAD AND BRIDGE		CAPITAL IMPROVEMENT		OTHER GOVERNMENTAL		TOTAL	
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
RECEIPTS										
Property taxes	\$ 39,705	2,822	-	-	-	-	70	70	39,775	2,892
Sales taxes	636,618	656,080	-	-	636,609	655,168	-	-	1,273,227	1,311,248
Intergovernmental	231,194	98,561	650,918	1,074,177	-	-	164,794	131,251	1,046,906	1,303,989
Charges for services	353,657	368,351	3,770	9,690	-	-	8,799	57,850	366,226	435,891
Interest	12,626	11,982	22,248	23,716	18,737	19,216	20,696	18,698	74,307	73,612
Other	100,951	145,804	17,941	26,995	-	165	37,737	10,286	156,629	183,250
Total Receipts	<u>1,374,751</u>	<u>1,283,600</u>	<u>694,877</u>	<u>1,134,578</u>	<u>655,346</u>	<u>674,549</u>	<u>232,096</u>	<u>218,155</u>	<u>2,957,070</u>	<u>3,310,882</u>
DISBURSEMENTS										
General government	490,205	399,968	-	-	-	-	168,026	215,820	658,231	615,788
Public safety	487,787	678,703	-	-	-	-	26,499	26,292	514,286	704,995
Judicial	215,305	200,460	-	-	-	-	4,878	-	220,183	200,460
Public works	84,680	57,984	864,905	948,313	650,214	780,817	-	-	1,599,799	1,787,114
Health and welfare	8,356	9,908	-	-	-	-	94,309	25,789	102,665	35,697
Total Disbursements	<u>1,286,333</u>	<u>1,347,023</u>	<u>864,905</u>	<u>948,313</u>	<u>650,214</u>	<u>780,817</u>	<u>293,712</u>	<u>267,901</u>	<u>3,095,164</u>	<u>3,344,054</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE OTHER FINANCING SOURCES AND USES										
	<u>88,418</u>	<u>(63,423)</u>	<u>(170,028)</u>	<u>186,265</u>	<u>5,132</u>	<u>(106,268)</u>	<u>(61,616)</u>	<u>(49,746)</u>	<u>(138,094)</u>	<u>(33,172)</u>
OTHER FINANCING SOURCES (USES):										
Transfers in	12,852	73,147	40,000	-	-	-	40,000	83,202	92,852	156,349
Transfers out	80,000	81,202	-	56,079	-	-	12,852	19,068	92,852	156,349
Total Other Financing Sources	<u>(67,148)</u>	<u>(8,055)</u>	<u>40,000</u>	<u>(56,079)</u>	<u>-</u>	<u>-</u>	<u>27,148</u>	<u>64,134</u>	<u>-</u>	<u>-</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS										
	<u>21,270</u>	<u>(71,478)</u>	<u>(130,028)</u>	<u>130,186</u>	<u>5,132</u>	<u>(106,268)</u>	<u>(34,468)</u>	<u>14,388</u>	<u>(138,094)</u>	<u>(33,172)</u>
CASH, JANUARY 1	<u>159,200</u>	<u>180,470</u>	<u>523,265</u>	<u>393,237</u>	<u>296,360</u>	<u>301,492</u>	<u>292,620</u>	<u>258,152</u>	<u>1,271,445</u>	<u>1,133,351</u>
CASH, DECEMBER 31	<u>\$ 180,470</u>	<u>108,992</u>	<u>393,237</u>	<u>523,423</u>	<u>301,492</u>	<u>195,224</u>	<u>258,152</u>	<u>272,540</u>	<u>1,133,351</u>	<u>1,100,179</u>

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

DEKALB COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF FIDUCIARY NET ASSETS - CASH BASIS
 AGENCY FUNDS
 December 31,

	2006	2007
Cash and cash equivalents	\$ 1,655,152	5,414,769
Total Assets	\$ 1,655,152	5,414,769
Unrestricted	\$ 1,655,152	5,414,769
Total Net Assets	\$ 1,655,152	5,414,769

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

THE COUNTY OF DEKALB, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of DeKalb, Missouri ("County"), which is governed by a three-member board of commissioners, was organized in 1845 by an Act of the Missouri Territory. In addition to the three board members, there are nine elected Constitutional Officers: County Clerk, Circuit Clerk, Sheriff, Assessor, Coroner, Treasurer & ExOfficio Collector, Public Administrator, Coroner, and Prosecuting Attorney.

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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the cash basis of accounting, these financial statements present financial accountability of the County. The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, and social services.

B. Basis of Presentation

Government-wide Financial Statements:

The statements of net assets and the statements of activities present financial information about DeKalb County. All County activities are governmental activities generally financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of net assets presents the financial condition of the governmental activities of DeKalb County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. This comparison identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Direct expenses are those that are specifically associated with a particular function. *Program revenues* are (a) charges to those who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings and other miscellaneous revenue not properly included among program revenues are presented instead as *general revenues*.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The County has determined that the General Fund, Road and Bridge and Capital Improvement Sales Tax are major governmental funds. All other governmental funds are reported in one column labeled "Non-major Governmental Funds".

The fund financial statements of the County are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

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.

The various funds are summarized by type are in the basic financial statements. The following fund types are used by the County:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The measurement focus is upon determination of and changes in financial position. The following are the County's governmental major funds:

General Fund — The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Road and Bridge Fund — A special Revenue Fund is used to account for receipts of State distributions and Federal grants and related expenditures for road maintenance and improvement projects.

Capital Improvement Sales Tax Fund – A special Revenue Fund is used to account for receipts of County sales taxes and related expenditures for road maintenance.

The other governmental funds of the County are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

Fiduciary Fund Types

Agency — Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds 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 of Revenue and other agency operations.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the cash basis of accounting.

This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that purchases of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of short-term debt are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

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

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. 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.
2. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received.

The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures. State law requires that at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance. Section 50.740, RSMo prohibits expenditures in excess of approved budgets. However expenditures exceeded budgeted amounts for the following funds:

<u>Fund</u>	<u>Year Ended December 31,</u>
General Revenue Fund	2007
Capital Improvement Sales Tax Fund	2007
Law Emergency Planning Commission	2006
Cemetery Trust Fund	2007
Sheriff Civil Fees Fund	2007 and 2006
Collector's Tax Maintenance Fund	2007 and 2006

3. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection which usually takes place the third and fourth weeks of January.
4. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
5. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget 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.

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

E. Property Taxes

County residents have approved a sales tax which substantially replaces the property tax as the principal source of general governmental revenues. During both 2007 and 2006 the County Commission approved a \$0.00 property tax levy per \$100 of assessed valuation of tangible taxable property. The levies were reduced to zero in accordance with the ballot issue passed by County voters under provision of Section 67.505 which requires reduction in property tax revenues by 50% of the sales tax revenues.

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, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in 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, numerous transactions occur between individual funds for goods provided or services rendered. Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

H. Net Assets

Net assets represent the difference between assets and liabilities. Under the cash basis of accounting, liabilities other than loans from other funds and short-term borrowings are not recorded. Therefore, net assets generally equal the cash and investments balance. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted.

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 Balance Sheet as Governmental Funds arising from cash transactions 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 \$6,514,948 and \$2,788,503, respectively, and the bank balance was \$5,142,606 and \$2,828,768, respectively. Of the bank balance, \$316,077 and \$316,674 for December 31, 2007 and December 31, 2006, respectively, was covered by federal depository insurance and \$4,826,529 and \$2,512,094, respectively, was covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent, in the County's name. Accordingly, all County deposits are insured or collateralized with securities held by the County or by its agent in the County's name.

3. INTERFUND TRANSFERS

Funds were transferred out of the General Fund to help pay for Assessment Fund operations and activities of non-major funds for the years ended December 31, 2007 and 2006. Funds were transferred from Road & Bridge to help cover services received and paid from the General Fund. There were no loans between funds outstanding at December 31, 2007 or 2006.

4. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri in 1994 to provide pension benefits for County officials and employees.

A. Plan Description

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

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 is 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 fifty-five with reduced benefit is allowed for law enforcement personnel; for 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

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annually salary, while employees hired after February 2002 are required to contribute 4% if they participate in the LAGERS and 6% of their annual salary if they do not participate. During 2007 and 2006, the County collected and remitted to CERF, contributions of approximately for \$62,458 and \$60,844, respectively, for the years then ended.

5. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS)

Dekalb County also participates in the Missouri Local Government Employees Retirement System.

A. Plan Description

LAGERS is a multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governments in Missouri. The LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. Created and governed by Sections 70.600 through 70.755, RSMo, the System is responsible for administering the system in accordance with state law. The plan is qualified under Internal Revenue Code 401(a) and is tax-exempt. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. Copies of the report may be requested from the Missouri Local Government Employees Retirement System, P.O. Box 1655, Jefferson City, MO 65102.

B. Funding Policy

DeKalb County's full-time employees do not contribute to the pension plan. The County is required to contribute at an actuarial rate as determined by LAGERS. For 2007, the general

rate was 7.5 percent of annual covered payroll and the law enforcement rate was 4.6 percent. For 2006, the general rate was 7.4 percent and the law enforcement 4.6 percent.

C. Annual Pension Cost

For 2007 and 2006, the County contributed \$66,498 and \$48,966, respectively, to the plan which was equal to its annual pension cost. The required contributions were determined as part of the February 2005 and 2006 actuarial valuations using the entry age actuarial cost method.

Key actuarial assumptions included (a) an investment rate of return of 7.5% per year, compounded annually; (b) projected salary increases of 4% per year, compounded annually, attributable to inflation; and (c) additional projected salary increases ranging from 0 to 4.7% per year. The unfunded actuarial accrued liability is amortized as a level percentage of projected payroll on a closed basis. The amortization period at February 28, 2007 was 16 years.

3-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/05	\$ 48,580	100	0
06/30/06	48,966	100	0
06/30/07	66,498	100	0

6. Defined Contribution and Deferred Compensation Plans

Plan Description

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

Contributions

Employees elect a contribution level, subject to IRC limitations. The CERS Board of Directors may provide limited matching contributions, with pension plan trust funds, to the defined contribution plan accounts. There were no matches in 2006 or 2007.

Administration

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

7. 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. There is currently one employee on COBRA.

8. CLAIMS, COMMITMENTS AND CONTINGENCIES

A. Compensated Absences

The County provides full time employees with up to 90 days of sick time -- to accrue at one and one quarter day per complete calendar month of employment up to 90 days. Upon termination, the employee is not compensated for sick time for whatever cause. Vacation leave is accumulated at a rate of one and one quarter days to one and three quarter days per month depending on the number of years of employment. Accumulated vacation leave cannot exceed 15 days, 20 days, or 25 days depending on the number of years of employment. These have not been subjected to auditing procedures.

B. Federal and State Assisted Programs

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

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.

C. Industrial Development Revenue Bonds

In June 2006, the County entered into an agreement to issue taxable Industrial Development Revenue Bonds as authorized by Article VI, Section 27 of the Missouri Constitution and Sections 100.010 to 100.200, MSMo. The proceeds of the bonds, which were issued in 2007 in the amount of approximately \$30 million, are to be used for the construction and furnishing costs related to an industrial development project in the City of Cameron. The bonds are payable solely from lease payments generated by the project, and the County is not liable for ultimate repayment of the bonds.

9. RISK MANAGEMENT

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

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce

sufficient funds to 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.

10. Cooperative Ventures

- A. In October 1992, the Counties of Andrew, Clinton, Caldwell and DeKalb and the City of Cameron agreed to establish a venture called ACCD-911, for the purpose of providing 911 emergency telephone services. Pursuant to Section 190.300, RSMo, the voters of the respective government entities involved approved a 15% Emergency Telephone System Tax on local telephone charges to fund the service. Pursuant to the agreement, the ACCD Regional Enhanced 911 System Board was created to be the governing body of the ACCD-911, authorized to enter into contracts, employ staff, hold/dispose of property, and incur debt, with only the ACCD-911 Venture being obligated for the debt incurred.

- B. In May 2005, the County, in conjunction with Daviess County, created the Daviess-DeKalb Regional Jail District to house prisoners for the counties as well as other governments on a contractual basis. A four member commission which governs the district is comprised of the presiding commissioners and sheriffs from the two counties. In November 2005, the district voters approved a one-half cent sales tax to provide regional jail services and court facilities and equipment for the two counties. Also in November 2005, the district assumed operations at the jail facility. The counties will share equally in any net operating losses of the regional jail. Neither Daviess County nor DeKalb County is obligated for debt incurred by the District.

REQUIRED SUPPLEMENTARY INFORMATION

DEKALB COUNTY, MISSOURI
 SCHEDULE OF FUNDING PROGRESS FOR
 MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM
 (LAGERS)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a) or (Excess of Assets over AAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c] or (Excess as a % of Covered Payroll) [(a-b)/c]
02/28/03	\$ 840,372	778,886	(61,486)	108%	\$ 637,121	(10) %
02/28/04	893,544	792,316	(101,228)	113%	606,002	(17) %
02/28/05	997,198	910,176	(87,022)	110%	636,769	(14) %
02/28/06	987,360	921,665	(65,695)	107%	750,335	(9)%
02/28/07	1,147,130	1,032,668	(114,462)	111%	870,721	(13)%

See related Note 5 (Defined Benefit Pension Plan) to the basic financial statements.

DEKALB COUNTY, MISSOURI
 COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH
 - BUDGET AND ACTUAL
 GENERAL AND MAJOR SPECIAL REVENUE FUNDS

	GENERAL FUND			
	Year Ended December 31,			
	2006		2007	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 56,350	39,705	9,000	2,822
Sales taxes	615,000	636,618	650,000	656,080
Intergovernmental	194,539	231,194	103,671	98,561
Charges for services	208,300	353,657	326,650	368,351
Interest	-	12,626	14,000	11,982
Other	126,069	100,951	145,658	145,804
Transfers in	70,000	12,852	45,947	73,147
Total Receipts	<u>1,270,258</u>	<u>1,387,603</u>	<u>1,294,926</u>	<u>1,356,747</u>
DISBURSEMENTS				
County Commission	80,040	79,345	81,140	79,860
County Clerk	79,060	73,478	81,017	71,683
Elections	175,949	145,931	19,597	17,938
Buildings and grounds	62,580	61,223	92,580	79,918
Employee fringe benefits	169,000	150,201	214,000	199,214
County Treasurer	62,310	62,070	67,540	76,592
Collector	10,000	7,282	10,000	13,427
Circuit Clerk	48,795	46,828	49,344	50,717
Associate Circuit Court	14,030	13,794	22,558	18,902
Public Administrator	15,700	15,430	16,000	15,555
Sheriff	443,603	438,865	408,768	511,061
Prosecuting Attorney	88,270	96,881	89,013	96,423
Juvenile Officer	15,276	7,657	15,072	10,362
Coroner	19,942	14,618	20,004	15,731
Other	73,115	44,374	79,315	81,732
Health and welfare	8,400	28,356	8,400	7,908
Transfers out	20,000	80,000	80,000	81,202
Emergency fund	38,250	-	40,195	-
Total Disbursements	<u>1,424,320</u>	<u>1,366,333</u>	<u>1,394,543</u>	<u>1,428,225</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(154,062)	21,270	(99,617)	(71,478)
CASH, JANUARY 1	<u>159,200</u>	<u>159,200</u>	<u>180,470</u>	<u>180,470</u>
CASH, DECEMBER 31	<u>\$ 5,138</u>	<u>180,470</u>	<u>80,853</u>	<u>108,992</u>

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

DEKALB COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS

	ROAD AND BRIDGE FUND			
	Year Ended December 31,			
	2006		2007	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ -	-	-	-
Sales taxes	-	-	-	-
Intergovernmental	1,052,000	650,918	1,344,000	1,074,177
Charges for services	-	3,770	10,900	9,690
Interest	-	22,248	20,000	23,716
Other	-	17,941	20,000	26,995
Transfers in	-	40,000	-	-
Total Receipts	<u>1,052,000</u>	<u>734,877</u>	<u>1,394,900</u>	<u>1,134,578</u>
DISBURSEMENTS				
Salaries	180,000	134,933	145,000	140,845
Employee fringe benefits	42,000	30,540	40,000	50,594
Materials and Supplies	256,000	261,646	285,500	270,370
Services and Other	39,000	18,820	86,000	30,071
Capital Outlay	56,000	49,651	11,500	1,719
Construction	1,013,000	369,315	1,113,000	454,714
Transfers out	47,145	-	55,995	56,079
Total Disbursements	<u>1,633,145</u>	<u>864,905</u>	<u>1,736,995</u>	<u>1,004,392</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(581,145)	(130,028)	(342,095)	130,186
CASH, JANUARY 1	<u>523,265</u>	<u>523,265</u>	<u>393,237</u>	<u>393,237</u>
CASH, DECEMBER 31	<u><u>\$ (57,880)</u></u>	<u><u>393,237</u></u>	<u><u>51,142</u></u>	<u><u>523,423</u></u>

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

DEKALB COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS

CAPITAL IMPROVEMENT SALES TAX FUND					
Year Ended December 31,					
		2006		2007	
		Budget	Actual	Budget	Actual
RECEIPTS					
Property taxes	\$	-	-	-	-
Sales taxes		-	636,609	650,000	655,168
Intergovernmental		-	-	-	-
Charges for services		-	-	-	-
Interest		-	18,737	17,000	19,216
Other		-	-	-	165
Transfers in		-	-	-	-
Total Receipts		-	655,346	667,000	674,549
DISBURSEMENTS					
Salaries		-	-	-	-
Employee fringe benefits		-	-	-	-
Materials and Supplies		650,000	645,993	750,000	773,433
Services and Other		5,000	4,221	6,000	882
Capital Outlay		-	-	-	-
Construction		-	-	-	-
Transfers out		6,550	-	7,560	6,502
Total Disbursements		661,550	650,214	763,560	780,817
RECEIPTS OVER (UNDER)					
DISBURSEMENTS		(661,550)	5,132	(96,560)	(106,268)
CASH, JANUARY 1		296,360	296,360	301,492	301,492
CASH, DECEMBER 31	\$	(365,190)	301,492	204,932	195,224

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

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES

**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 the Officeholders of DeKalb County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of DeKalb, Missouri, as of and for the years ended December 31, 2007 and 2006 and have issued our cash basis report thereon dated May 14, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered DeKalb 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 DeKalb County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the DeKalb 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 DeKalb 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 DeKalb County, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the DeKalb County, Missouri's internal control. We consider the deficiencies described in the schedule of findings and recommendations as items 1 and 2 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 DeKalb County, Missouri's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all

significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are not material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DeKalb 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and that is identified as item 3.

DeKalb County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit DeKalb 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
May 14, 2008

DEKALB COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESS IN INTERNAL CONTROL

None

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

1. **Transfer Transactions**

Condition: Transfers-in or transfers-out from one fund to another are not always properly recorded in the respective funds. Amounts recorded as transfers-in for 2007 and 2006 exceeded amounts recorded as transfers-out by \$79,943 and \$32,852, respectively. The differences resulted from the recording of transfers as expenditures in the outgoing fund rather than as transfers. The effect is to overstate actual expenditures.

Recommendation: We recommend the County Clerk record transfers-out as transfers-out rather than to expenditure categories.

County's Response: DeKalb County will record transfers-out and transfers-in as transfers not expenditures.

2. **Inadequate Controls over County Purchases and Payments**

Condition: During our review of the purchasing and payments functions, we noted certain 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, even with this procedure an invoice could be separated from the voucher and accidentally or intentionally presented for payment more than once.
- The County does not have a control to ensure that checks presented for signature are representative of the invoices and vouchers previously approved.

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 suggest that a County Commissioner stamp 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.

County Response: DeKalb County Commissioners sign the bill head with the statement attached. The checks are then printed and signed by the commissioner, county clerk and treasurer. Once the checks are signed each bill head with the statement attached is stamped filed or paid. We feel this meets your recommendations.

Auditor's Comment: To ensure that an approved invoice exists for every check that is signed both documents must be viewed together by an authorized approver.

ITEMS OF NONCOMPLIANCE

3. Budget Process

Condition: Disbursements exceeded budgeted amounts for six funds during the year ended December 31, 2006 and five funds during the year ended December 31, 2007. Although budgets were apparently monitored on a regular basis, the County Commission did not ensure that budget amendments are periodically prepared in accordance with State Statute.

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 ensure that budget variances are reviewed and require budget amendments when appropriate.

County's Response: DeKalb County will review any budget revisions and submit them to the auditors office.

OTHER MATTERS

None

THE COUNTY OF DEKALB, MISSOURI
STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004

A. FINANCIAL STATEMENT FINDINGS

There were no findings required to be reported under GAGAS.

B. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. The County does not have procedures in place to adequately track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), resulting in errors and omissions.

Status – The County did not expend \$500,000 of Federal funds in either 2006 or 2007 and was therefore not required to undergo a Single Audit in accordance with Office of Management and Budget Circular A-133. However, the County prepared a SEFA each year and, in 2007, the SEFA was not supported by the central accounting records maintained by the County Clerk. The County Clerk augmented the reported expenditures of Federal awards based on supplemental information provided by the Road & Bridge supervisor.

2. Competitive bids and/or qualifications for professional services were not solicited for some purchases funded by the 911 Board Homeland Security Grant, and the ACCD 911 Board did not ensure vendors providing services under the grant had not been debarred or suspended by the Federal government.

Status – No violations of competitive bid requirements or award of contracts or procurements to debarred or suspended vendors were noted in the current audit.

C. OTHER MATTERS

3. The County did not sufficiently reduce its property tax levy by 50% of the sales tax revenues as required by the voter-approved ballot authorizing the tax.

Status – The property tax levy in 2006 and 2007 was zero.

4. The County did not have adequate procedures regarding the procurement of major purchases, particularly with respect to documentation of bids, lack of controls to prevent duplicate payments, and proper charging of expenditures.

Status – It was noted during the current audit that invoices were not always stamped paid and that checks were signed subsequent to review of invoices and without the accompanying invoices or vouchers attached. See current year Finding 2.

5. The current and former Ex Officio County Collector (EOC) did not prepare accurate and timely annual settlements and did not reconcile bank account balances to existing liabilities.

Status – No similar errors or delinquencies were identified during the current audit.