



SUSAN MONTEE, JD, 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, 2009, 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, JD, CPA
State Auditor

November 2010
Report No. 2010-133

ANNUAL FINANCIAL REPORT

DEKALB COUNTY, MISSOURI

For the Years Ended
December 31, 2009 and 2008

DEKALB COUNTY, MISSOURI

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INTRODUCTORY SECTION

DEKALB COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – David R. “Dick” Lippold

Associate Commissioner – Garry McFee

Associate Commissioner – Wayne Colhour

Other Elected Officials

Assessor – Ruth Ross

Circuit Clerk/Recorder – Julie Whitsell

Collector/Treasurer – Joan (Jody) Pearl

Coroner – Heath Turner

County Clerk – Mary Berry

Prosecuting Attorney – Erik Tate

Public Administrator – Connie Bray

Sheriff – Wesley Raines

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission and
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 DeKalb County, Missouri as of and for the years ended December 31, 2009 and 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 opinions.

As described in Note 1, the basic financial statements of DeKalb County, 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 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 DeKalb County, Missouri as of December 31, 2009 and 2008, and the respective changes in financial position – cash basis thereof for the years then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2010, on our consideration of DeKalb County, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the budgetary comparison and retirement plan funding information on pages 19 through 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

(Original Signed by Auditor)

McBride, Lock & Associates
June 21, 2010

FINANCIAL SECTION

DEKALB COUNTY, MISSOURI
 COMPARATIVE GOVERNMENT-WIDE STATEMENTS OF NET ASSETS - CASH BASIS
 DECEMBER 31, 2008 AND 2009

	December 31,	
	2008	2009
ASSETS		
Cash and cash equivalents	\$ 1,796,705	\$ 1,965,109
Total Assets	\$ 1,796,705	\$ 1,965,109
 NET ASSETS		
Restricted	\$ 1,743,677	\$ 1,893,293
Unrestricted	53,028	71,816
Total Net Assets	\$ 1,796,705	\$ 1,965,109

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, 2009

		Program Receipts		Excess Disbursements Over Receipts and Changes in Net Assets
	Disbursements	Charges for Services	Intergovernmental	Governmental Activities
GOVERNMENTAL ACTIVITIES				
General county government	\$ 771,412	\$ 264,325	\$ 269,867	\$ (237,220)
Public safety	1,088,209	252,477	7,146	(828,586)
Judicial	154,341	7,946	4,198	(142,197)
Public works	1,132,050	3,436	574,705	(553,909)
Health and welfare	141,628	721	-	(140,907)
Total Governmental Activities	\$ 3,287,640	\$ 528,905	\$ 855,916	\$ (1,902,819)
GENERAL RECEIPTS				
Taxes				
Property taxes				\$ 135,551
Sales taxes				1,264,106
Emergency Telephone System Tax				435,267
Interest				62,559
Other				173,740
Total General Receipts				\$ 2,071,223
Changes in Cash Balances				168,404
NET ASSETS, JANUARY 1				1,796,705
NET ASSETS, DECEMBER 31				\$ 1,965,109

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, 2008

		Program Receipts		Excess Disbursements Over Receipts and Changes in Net Assets
	Disbursements	Charges for Services	Intergovernmental	Governmental Activities
GOVERNMENTAL ACTIVITIES				
General county government	\$ 826,159	\$ 267,404	\$ 222,733	\$ (336,022)
Public safety	1,234,392	250,681	9,357	(974,354)
Judicial	199,740	12,840	1,062	(185,838)
Public works	1,362,895	507	652,376	(710,012)
Health and welfare	218,497	769	-	(217,728)
Total Governmental Activities	\$ 3,841,683	\$ 532,201	\$ 885,528	\$ (2,423,954)
GENERAL RECEIPTS				
Taxes				
Property taxes				\$ 135,957
Sales taxes				1,305,340
Emergency Telephone System Tax				474,378
Interest				82,658
Other				186,300
Total General Receipts				\$ 2,184,633
Changes in Cash Balances				(239,321)
NET ASSETS, JANUARY 1				2,036,026
NET ASSETS, DECEMBER 31				\$ 1,796,705

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 REVENUE		SPECIAL ROAD AND BRIDGE		CAPITAL IMPROVEMENT SALES TAX		ACCD 911		OTHER GOVERNMENTAL		TOTAL	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
ASSETS												
Cash and cash equivalents	\$ 53,028	\$ 71,816	\$ 603,451	\$ 824,084	\$ 70,911	\$ 14,928	\$ 711,046	\$ 679,580	\$ 358,269	\$ 374,701	\$ 1,796,705	\$ 1,965,109
Total Assets	<u>\$ 53,028</u>	<u>\$ 71,816</u>	<u>\$ 603,451</u>	<u>\$ 824,084</u>	<u>\$ 70,911</u>	<u>\$ 14,928</u>	<u>\$ 711,046</u>	<u>\$ 679,580</u>	<u>\$ 358,269</u>	<u>\$ 374,701</u>	<u>\$ 1,796,705</u>	<u>\$ 1,965,109</u>
NET ASSETS												
Unreserved	\$ 53,028	\$ 71,816	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,028	\$ 71,816
Unreserved, reported in special revenue funds	-	-	603,451	824,084	70,911	14,928	711,046	679,580	-	-	1,385,408	1,518,592
Unreserved, reported in non-major special revenue funds	-	-	-	-	-	-	-	-	358,269	374,701	358,269	374,701
Total Net Assets	<u>\$ 53,028</u>	<u>\$ 71,816</u>	<u>\$ 603,451</u>	<u>\$ 824,084</u>	<u>\$ 70,911</u>	<u>\$ 14,928</u>	<u>\$ 711,046</u>	<u>\$ 679,580</u>	<u>\$ 358,269</u>	<u>\$ 374,701</u>	<u>\$ 1,796,705</u>	<u>\$ 1,965,109</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 REVENUE		SPECIAL ROAD AND BRIDGE		CAPITAL IMPROVEMENT SALES TAX		ACCD 911		OTHER GOVERNMENTAL		TOTAL	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
RECEIPTS												
Property taxes	\$ 1,655	\$ 1,718	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 134,302	\$ 133,833	\$ 135,957	\$ 135,551
Sales taxes	652,677	632,135	-	-	652,663	631,971	-	-	-	-	1,305,340	1,264,106
Emergency Telephone Tax	-	-	-	-	-	-	474,378	435,267	-	-	474,378	435,267
Intergovernmental	87,946	113,602	652,376	574,705	-	-	-	-	145,206	167,609	885,528	855,916
Charges for services	482,556	485,710	507	3,436	-	-	-	-	49,138	39,759	532,201	528,905
Interest	7,724	4,317	21,546	21,787	10,830	3,110	29,395	22,916	13,163	10,429	82,658	62,559
Other	128,366	55,199	41,100	89,461	-	-	-	-	16,834	29,080	186,300	173,740
Total Receipts	\$ 1,360,924	\$ 1,292,681	\$ 715,529	\$ 689,389	\$ 663,493	\$ 635,081	\$ 503,773	\$ 458,183	\$ 358,643	\$ 380,710	\$ 3,602,362	\$ 3,456,044
DISBURSEMENTS												
General government	\$ 625,674	\$ 591,470	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,485	\$ 179,942	\$ 826,159	\$ 771,412
Public safety	611,348	578,938	-	-	-	-	590,801	489,649	32,243	19,622	1,234,392	1,088,209
Judicial	195,020	151,479	-	-	-	-	-	-	4,720	2,862	199,740	154,341
Public works	-	-	586,859	443,756	772,199	684,942	-	-	3,837	3,352	1,362,895	1,132,050
Health and welfare	13,257	7,500	-	-	-	-	-	-	205,240	134,128	218,497	141,628
Total Disbursements	\$ 1,445,299	\$ 1,329,387	\$ 586,859	\$ 443,756	\$ 772,199	\$ 684,942	\$ 590,801	\$ 489,649	\$ 446,525	\$ 339,906	\$ 3,841,683	\$ 3,287,640
RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE OTHER FINANCING SOURCES AND USES	\$ (84,375)	\$ (36,706)	\$ 128,670	\$ 245,633	\$ (108,706)	\$ (49,861)	\$ (87,028)	\$ (31,466)	\$ (87,882)	\$ 40,804	\$ (239,321)	\$ 168,404
OTHER FINANCING SOURCES (USES):												
Transfers in	82,961	68,194	-	-	-	-	-	-	56,050	13,200	139,011	81,394
Transfers out	54,550	12,700	48,642	25,000	15,608	6,122	-	-	20,211	37,572	139,011	81,394
Total Other Financing Sources (Uses)	\$ 28,411	\$ 55,494	\$ (48,642)	\$ (25,000)	\$ (15,608)	\$ (6,122)	\$ -	\$ -	\$ 35,839	\$ (24,372)	\$ -	\$ -
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (55,964)	\$ 18,788	\$ 80,028	\$ 220,633	\$ (124,314)	\$ (55,983)	\$ (87,028)	\$ (31,466)	\$ (52,043)	\$ 16,432	\$ (239,321)	\$ 168,404
CASH, JANUARY 1	108,992	53,028	523,423	603,451	195,225	70,911	798,074	711,046	410,312	358,269	2,036,026	1,796,705
CASH, DECEMBER 31	\$ 53,028	\$ 71,816	\$ 603,451	\$ 824,084	\$ 70,911	\$ 14,928	\$ 711,046	\$ 679,580	\$ 358,269	\$ 374,701	\$ 1,796,705	\$ 1,965,109

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

DEKALB COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF ASSETS AND LIABILITIES
 ARISING FROM CASH TRANSACTIONS
 FIDUCIARY (AGENCY) FUNDS
 December 31,

	<u>2008</u>	<u>2009</u>
Assets		
Cash and cash equivalents	\$ <u>4,722,690</u>	\$ <u>4,827,180</u>
Total Assets	\$ <u><u>4,722,690</u></u>	\$ <u><u>4,827,180</u></u>
Liabilities		
Due to Others	\$ <u>4,722,690</u>	\$ <u>4,827,180</u>
Total Liabilities	\$ <u><u>4,722,690</u></u>	\$ <u><u>4,827,180</u></u>

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

DEKALB COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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, except as described in Note 1.A., 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

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 the primary government of DeKalb County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered by the Missouri State Auditor’s Office to comprise the County’s legal entity.

B. Basis of Presentation

Government-wide Financial Statements:

The statements of net assets and the statements of activities present financial information about DeKalb County, Missouri. 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 the 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, Capital Improvement Sales Tax, and ACCD 911 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 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.

Special Road and Bridge Fund – A special revenue fund 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 used to account for receipts of County sales taxes and related expenditures for road maintenance.

ACCD 911 Fund – A special revenue fund used to account for receipts of sales tax monies that are restricted to the operations of the emergency response system.

The other governmental funds of the County are considered non-major funds and are primarily 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 financial 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 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's policy is to adopt a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.

3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
8. Budgets are prepared and adopted on the cash basis of accounting.
9. Adoption of a formal budget is required by law. However, the County did not adopt a formal budget for the Bond Forfeiture fund in 2009.
10. Section 50.740 RSMo. Prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds:

Fund	2009	2008
Assessment	N/A	X
Victims of Domestic Violence	X	N/A
Law Enforcement Training	X	X
Sheriff Civil Fees	N/A	X
Election Fees	X	X
Senior Services	N/A	X
Conceal and Carry Weapons	X	X

- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2009 and 2008, for purposes of taxation was:

	<u>2009</u>	<u>2008</u>
Real Estate	\$ 79,630,880	\$ 78,454,100
Personal Property	28,087,563	29,481,853
Railroad and Utilities	6,361,728	6,323,904
	<u>\$ 114,080,171</u>	<u>\$ 114,259,857</u>

During 2009 and 2008, the County Commission approved a tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2009 and 2008, for purposes of County taxation, as follows:

	<u>2009</u>	<u>2008</u>
Senate Bill 40	\$ 0.0900	\$ 0.0889
Senior Services	0.0300	0.0296

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 may include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

G. Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

H. Net Assets/Fund Equity

On the Government-wide financial statements, equity is classified as net assets and displayed in two components: restricted and unrestricted. 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 cash equivalents 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.

On the fund financial statements, equity is classified as fund balance and displayed in two components: reserved and unreserved. Any portion of a fund balance that is not appropriate for expenditure or is legally segregated for a specific future use is reported as reserved. All other fund balances are reported as unreserved.

2. CASH AND CASH EQUIVALENTS

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 Cash 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, 2009 and 2008, the carrying amounts of the County's deposits were \$1,965,109 and \$1,796,705, respectively, and the bank balances were \$6,044,580 and \$5,669,143 respectively. Of the bank balances, \$954,308 and \$944,721 for December 31, 2009 and December 31, 2008, respectively, were covered by federal depository insurance and the remainder was covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name.

At December 31, 2009 and 2008, the County Collector held cash representing collections of property taxes on behalf of various taxing districts in the County, including the Senior Services and Senate Bill 40 funds. These amounts, all of which were secured by pledged collateral, amounted to \$3,683,236 and \$3,582,811 at December 31, 2009 and 2008, respectively.

3. INTERFUND TRANSFERS

The County made the following interfund transfers during 2008 and 2009:

	Year Ended December 31, 2008	
	Transfers In	
Transfers Out	General	Non-major
General	\$ -	\$ 54,550
Road and Bridge	48,642	-
Capital Improvement	15,608	-
Non-major Governmental	18,711	1,500

	Year Ended December 31, 2009	
	Transfers In	
Transfers Out	General	Non-major
General	\$ -	\$ 12,700
Road and Bridge	25,000	-
Capital Improvement	6,122	-
Non-major Governmental	37,072	500

4. COUNTY EMPLOYEES' RETIREMENT PLANS

A. County Employees' Retirement Fund (CERF)

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

1) Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

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

2) 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 is at age 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.

3) Funding Policy

In accordance with State Statutes, the Plan is partially funded through various fees collected by counties and remitted to the CERF. Further, a contribution to CERF of 2% of annual salary is required for eligible employees hired before February 2002, while a contribution of 6% of annual salary is required of employees hired after February 2002, in order to participate in CERF. During 2009 and 2008, the County collected and remitted to CERF employee contributions of approximately \$63,909 and \$62,776, respectively, for the years then ended.

B. Local Government Employees Retirement System (LAGERS)

1) Plan Description

The County participates in the Missouri Local Government Employees Retirements System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMo. 70.600-70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102, or by calling 1-800-447-4334.

2) Funding Policy

DeKalb County's full-time employees do not contribute to the pension plan. The County is required to contribute at an actuarially determined rate. For 2009, the general rate was 5.6 percent of annual covered payroll and the law enforcement rate was 3.4 percent. For 2008, the general rate was 6.9 percent of annual covered payroll and the law enforcement rate was 4.4 percent. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the County are established by state statute.

3) Annual Pension Cost

For 2009 and 2008, the County's annual pension costs of \$47,641 and \$59,000 were equal to the required and actual contributions. The required contributions were determined as part of the February 28, 2006, 2007 and/or 2008 annual 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 6.0% per year depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 0 years for men and women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table for males projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2009 was 15 years.

Fiscal Year Ending	Three-Year Trend Information		
	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
	(APC)		
6/30/2007	\$ 61,993	100%	\$ 0
6/30/2008	59,000	100%	0
6/30/2009	47,641	100%	0

5. DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

1) Plan Description

DeKalb County offers employees the opportunity to participate in the CERF 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.

2) Contributions

Employees elect a contribution level, subject to IRC limitations. The CERF 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.

3) 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.

6. 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.

7. CLAIMS, COMMITMENT 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 days per complete calendar month of employment. Unused sick leave benefits will not be paid to employees upon termination of employment. Employees with one to nine year(s) of service accumulate annual leave at one and one quarter days per month, up to a maximum of 15 days. Employees with 10 to 14 years of service accumulate annual leave at one and one half days per month, up to a maximum of 20 days. Employees with 15 or more years of service accumulate annual leave at one and three quarters days per month, up to a maximum of 25 days. Annual leave may be carried forward from year to year up to the maximum amounts noted above. Upon termination of employment, employees will be paid for unused annual leave time that has been earned through the last day of work.

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 for federal awards did not exceed \$500,000 in either 2009 or 2008 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, RSMo. 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.

8. 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.

9. CHANGE IN REPORTING ENTITY

The County has changed its definition of the reporting entity, as of January 1, 2008, to include the Law Library, ACCD 911, Senate Bill 40, and Senior Services boards. The effect of the aforementioned change in reporting entity is to increase cash balances of the governmental funds as previously reported at December 31, 2007 by the amount representing cash balances of the Law Library, ACCD 911, Senate Bill 40, and Senior Services boards.

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

	GENERAL REVENUE FUND			
	Year Ended December 31,			
	2008		2009	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 3,500	\$ 1,655	\$ 2,400	\$ 1,718
Sales taxes	664,000	652,677	650,000	632,135
Intergovernmental	191,170	87,946	167,800	113,602
Charges for services	528,120	482,556	484,440	485,710
Interest	14,000	7,724	7,000	4,317
Other	122,660	128,366	61,130	55,199
Transfers in	80,131	82,961	75,796	68,194
Total Receipts	<u>\$ 1,603,581</u>	<u>\$ 1,443,885</u>	<u>\$ 1,448,566</u>	<u>\$ 1,360,875</u>
DISBURSEMENTS				
County Commission	\$ 81,892	\$ 81,303	\$ 85,004	\$ 83,198
County Clerk	88,770	84,033	73,870	75,737
Elections	52,670	44,090	5,000	10,627
Buildings and grounds	226,700	52,142	110,000	48,420
Employee fringe benefits	192,500	186,458	215,000	184,830
County Treasurer	76,835	80,918	71,136	79,180
Collector	11,000	11,440	12,000	7,622
Circuit Clerk	55,463	55,383	48,497	48,559
Associate Circuit Court	25,312	21,395	14,485	7,563
Public Administrator	16,450	16,895	17,200	16,748
Sheriff	510,879	586,893	551,677	553,524
Prosecuting Attorney	93,838	102,243	90,588	94,281
Juvenile Officer	16,317	9,738	13,243	10,220
Coroner	20,380	14,717	18,038	15,194
Other	93,773	84,394	79,610	86,184
Health and welfare	71,100	13,257	9,500	7,500
Transfers out	29,700	54,550	16,500	12,700
Emergency fund	47,888	-	40,274	-
Total Disbursements	<u>\$ 1,711,467</u>	<u>\$ 1,499,849</u>	<u>\$ 1,471,622</u>	<u>\$ 1,342,087</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ (107,886)	\$ (55,964)	\$ (23,056)	\$ 18,788
CASH, JANUARY 1	108,992	108,992	53,028	53,028
CASH, DECEMBER 31	<u>\$ 1,106</u>	<u>\$ 53,028</u>	<u>\$ 29,972</u>	<u>\$ 71,816</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

	SPECIAL ROAD AND BRIDGE FUND				CAPITAL IMPROVEMENT SALES TAX FUND			
	Year Ended December 31,				Year Ended December 31,			
	2008		2009		2008		2009	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Sales taxes	-	-	-	-	664,000	652,663	650,000	631,971
Intergovernmental	625,500	652,376	963,000	574,705	-	-	-	-
Charges for services	9,000	507	4,000	3,436	-	-	-	-
Interest	23,000	21,546	20,000	21,787	19,000	10,830	8,000	3,110
Other	27,000	41,100	26,000	89,461	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 684,500</u>	<u>715,529</u>	<u>\$ 1,013,000</u>	<u>689,389</u>	<u>\$ 683,000</u>	<u>663,493</u>	<u>\$ 658,000</u>	<u>635,081</u>
DISBURSEMENTS								
Salaries	\$ 150,000	133,980	\$ 150,000	124,517	\$ -	-	\$ -	-
Employee fringe benefits	47,500	24,432	46,600	27,515	-	-	-	-
Materials and Supplies	311,000	238,445	371,500	118,356	-	-	-	-
Services and Other	88,200	121,662	40,200	28,396	6,000	-	5,000	2,720
Capital Outlay	26,500	2,211	26,500	936	-	-	-	-
Construction	463,000	66,129	713,000	144,036	800,000	772,199	700,000	682,222
Transfers out	56,000	48,642	40,110	25,000	8,000	15,608	7,000	6,122
Total Disbursements	<u>\$ 1,142,200</u>	<u>635,501</u>	<u>\$ 1,387,910</u>	<u>468,756</u>	<u>\$ 814,000</u>	<u>787,807</u>	<u>\$ 712,000</u>	<u>691,064</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (457,700)	80,028	\$ (374,910)	220,633	\$ (131,000)	(124,314)	\$ (54,000)	(55,983)
CASH, JANUARY 1	<u>523,423</u>	<u>523,423</u>	<u>603,451</u>	<u>603,451</u>	<u>195,225</u>	<u>195,225</u>	<u>70,911</u>	<u>70,911</u>
CASH, DECEMBER 31	<u>\$ 65,723</u>	<u>603,451</u>	<u>\$ 228,541</u>	<u>824,084</u>	<u>\$ 64,225</u>	<u>70,911</u>	<u>\$ 16,911</u>	<u>14,928</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

	ACCD 911 FUND			
	Year Ended December 31,			
	2008		2009	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Emergency Telephone Tax	460,000	474,378	472,500	435,267
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	41,000	29,395	1,500	22,916
Other	-	-	-	-
Transfers in	-	-	-	-
Total Receipts	\$ 501,000	\$ 503,773	\$ 474,000	\$ 458,183
DISBURSEMENTS				
Salaries	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-
Materials and Supplies	1,000	113	2,500	-
Services and Other	659,600	499,327	574,900	477,481
Capital Outlay	85,000	91,361	30,000	12,168
Construction	-	-	-	-
Transfers out	-	-	-	-
Total Disbursements	\$ 745,600	\$ 590,801	\$ 607,400	\$ 489,649
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ (244,600)	\$ (87,028)	\$ (133,400)	\$ (31,466)
CASH, JANUARY 1	798,074	798,074	711,046	711,046
CASH, DECEMBER 31	\$ 553,474	\$ 711,046	\$ 577,646	\$ 679,580

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

DEKALB COUNTY, MISSOURI
 SCHEDULE OF FUNDING PROGRESS FOR
 DEKALB COUNTY'S PARTICIPATION IN THE MISSOURI LOCAL
 GOVERNMENT EMPLOYEES RETIREMENT SYSTEM
 (LAGERS)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2007	\$1,147,130	\$1,032,668	(\$114,462)	111%	\$897,721	N/A
2/29/2008	1,344,439	1,137,547	(206,892)	118%	735,596	N/A
2/28/2009	1,126,534	1,221,513	94,979	92%	824,571	12

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

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
Officeholders of DeKalb County, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of DeKalb County, Missouri, as of and for the years ended December 31, 2009 and 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 DeKalb County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of DeKalb County, Missouri's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and recommendations as items 1 through 6, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 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 7 and 8.

We also noted two immaterial instances of noncompliance that we reported to management of DeKalb County, Missouri, in the accompanying schedule of findings and recommendations section as items 9 and 10.

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, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original Signed by Auditor)

McBride, Lock & Associates
June 21, 2010

FINDINGS AND RECOMMENDATIONS

DEKALB COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESSES IN INTERNAL CONTROL

None

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

1. Outstanding Checks

Condition: A review of the bank reconciliations of all County bank accounts noted four accounts that had checks listed as outstanding for two years or more. The Collector's account, Sheriff Trust account, Prosecuting Attorney's account, and Collector of Revenue partial payment account all had checks that appeared on both the December 31, 2008 and 2009 bank reconciliations. In the case of the Sheriff Trust bank account, the reconciled bank balance was negative at December 31, 2008 because of a check written in 2004 that was cashed during December 2008. The Collector/Treasurer had received a letter from the payee noting that the check had been lost. A replacement check was issued at that time and the original check was removed from the outstanding check list. However, a stop payment was not placed on the original check. The Collector/Treasurer indicated that many of the County's accounts are charged a significant fee for requesting stop payments on checks from the bank, and that in this case the amount of the fee was greater than the amount of the check.

The County's main checking account has checks that contain the phrase "Invalid after 60 days", therefore stop payments on stale checks are not necessary on this account. However, this is the only County bank account that has checks with this restriction.

Recommendation: We recommend that all County bank accounts implement a control similar to the Treasurer's main checking account that would make checks void or invalid after a certain number of days. When a check has been outstanding for that many days, it can then be removed from the bank reconciliation and a replacement check should be issued if necessary. This would also help the County avoid the fees associated with requesting a stop payment on a stale check.

County's Response: We, the DeKalb County Commissioners, will instruct all offices that have accounts other than those we control to have "check void after 60 days" put on any checks ordered.

Auditor's Evaluation: The stated corrective action is responsive to the recommendation.

2. Bank Reconciliations

Condition: The bank accounts for the Law Library and Prosecuting Attorney were not reconciled after September 2009 when the former Prosecuting Attorney was appointed to be a judge. The temporary Prosecuting Attorney also did not perform the bank reconciliations on these accounts. We noted that reconciliations were not being performed on these accounts after the current Prosecuting Attorney was appointed in early 2010.

Recommendation: We recommend that formal bank reconciliations be performed on a monthly basis for all County bank accounts, including those controlled by the Prosecuting Attorney.

County's Response: Formal monthly bank reconciliations will now be performed on the Law Library and Prosecuting Attorney's accounts on the first of each month.

Auditor's Evaluation: The stated corrective action is responsive to the recommendation.

3. Procurement Practices

Condition: Out of thirty expenditures tested, we noted ten invoices that were not approved by a department head prior to reaching the County Commission. Invoices should be approved by an employee of the department receiving the goods or services in order to verify that the County is paying only for goods and services that were actually received.

We also noted that invoices are not marked as paid at the time they are approved for payment by the Commission. Rather, the warrants that are attached to the invoices are marked "filed". In order to prevent invoices from being presented for payment multiple times, the invoices themselves should be marked as paid. This practice will provide an additional safeguard in the event that the warrant and invoice may become detached.

Recommendation: We recommend that the Commission ensure that all invoices are approved by a departmental employee before approving them for payment. Any invoices that are not approved should be researched to ensure that the item being billed was actually received prior to making a payment. We also recommend that the actual invoices be marked as paid rather than the warrants that are attached. These recommendations were also made in the prior audit.

County's Response: All bills are currently being stamped "paid" and both the Commissioners and the County Clerk's office will make sure all invoices are approved by an employee of the department before being paid.

Auditor's Evaluation: The stated corrective action is responsive to the recommendation.

4. Interfund Transfers

Condition: The financial statements of the County as presented in the annual budget document present transfers between funds. The recorded transfers in did not equal the recorded transfers out in either 2008 or 2009. This was due to a number of transfers out being incorrectly recorded as expenditures. The financial statements presented in this report have been adjusted so that transfers in are equal to transfers out.

Recommendation: In order to ensure that transfers are properly reported and are in balance, we recommend transfers in always be accompanied by an equal transfer out and that the transfers be clearly identified on the budget.

County Response: All transfers will be listed in the budget as transfers in or out, not as expenses or income in future budgets.

Auditor's Evaluation: The stated corrective action is responsive to the recommendation.

5. Unreported Certificates of Deposit

Condition: The Cemetery Trust, ACCD 911, and Senate Bill 40 funds all have investments in Certificates of Deposit (CD's) that are not reported on the budget or in the published financial statements. The value of unreported CD's amounted to \$692,931 at December 31, 2009 and \$669,410 at December 31, 2008, including \$600,230 and \$577,313, respectively, in ACCD 911 Board investments. When the CD's were acquired, the County improperly recorded these transactions as expenditures of the funds and has not been recording interest revenue related to the ACCD 911 or Senate Bill 40 Board investments. The financial statements presented in this report have been adjusted to include CD's in the cash balances of these funds.

Recommendation: We recommend that investments in certificates of deposit be included in cash balances for purposes of reporting on the annual budgets and published financial statements. We also recommend that the County record the interest earned on these investments as revenue.

County Response: In future budgets and financial statements, the CD's will be listed separately with the interest another line item as income. CD Interest from cemetery funds is reported as interest income on the annual budget.

Auditor's Evaluation: The stated corrective action is responsive to the recommendation.

6. Errors in Preparation of Annual Budget

Condition: The cash balances of the Law Library and Senior Services funds were misstated on the annual budgets prepared by the County Clerk. The 2010 budget reported a cash balance at December 31, 2009 for the Law Library fund of \$25,876, which included a deposit of \$1,270 that was made on January 15, 2010. The Senior Services fund cash balances were understated by minor amounts at December 31, 2009 and December 31, 2008 because interest earned in December was not included in revenues on the budgets in either year.

Salary expenditures were incorrectly recorded on the budget for the General Fund in 2009. The Form 941's filed with the IRS were reconciled to the County Clerk's payroll register. However, salaries recorded on the payroll register exceeded the salaries recorded on the budget. The County Clerk was not able to identify where the missing salaries had been recorded on the budget.

Recommendation: We recommend that the County Clerk and other elected officials take greater care to ensure the accuracy of the numbers reported on the annual budgets.

Prosecuting Attorney's Response: The monthly reconciliations that are now going to be performed on the Law Library account should ensure better accuracy on the annual budget.

Senior Services Board Response: The interest on the bank account is not credited to the account until close of business on the last day of the month. Therefore, we do not have the interest info until the next month.

County's Response: I, Mary Berry, County Clerk feel this paragraph is stating that the County Clerk was in error. I have the original copies of the annual budgets submitted to me (by the officeholders) and those are the figures that I must use. I have no way of knowing that they are incorrect. The salary expenditures were part of the transfer of funds and I did identify the transfer of funds which was salary. Again, the transfers will be clear as to an in or out of the fund not as expense or income.

Auditor's Evaluation: The annual budget is not required to be adopted until February 1, allowing time for officeholders to collect all information necessary to report the actual activity of the previous year.

The original copy of the Law Library fund budget provided to the County Clerk by the Prosecuting Attorney was viewed by the auditors and the Clerk did report the amount that was on that document. However, RSMo 50.530 designates the County Clerk as the budget officer in counties of the third and fourth classification. Therefore, the ultimate responsibility for the contents of the annual budget falls on the County Clerk.

ITEMS OF NONCOMPLIANCE

7. Budgetary Controls

Condition: The County Commission did not adopt a formal budget as required by law for the Bond Forfeiture fund in 2009. While no expenditures were incurred from the Bond Forfeiture Fund, revenues were received and a budget was not adopted as required by state statutes. Also, the County Commission did not exercise adequate budgetary control over a number of funds during the audit period. There were 7 different funds for which expenditures were approved for payments in excess of the approved budget. These funds were:

- Assessment – 2008
- Domestic Violence – 2009
- Law Enforcement Training – 2009 and 2008
- Sheriff Civil Fees – 2008
- Election Fees – 2009 and 2008
- Senior Services – 2008
- CCW – 2009 and 2008

RSMo 50.740 prohibits expenditures in excess of the approved budgets.

Recommendation: We suggest that the County Commission establish controls to ensure that disbursements are not approved in excess of the approved budget. We also recommend the Commission amend the budget when it becomes apparent that budgeted amounts are unrealistic in relation to the spending plan. Additionally, the County should ensure that estimated revenues and expenditures are considered and reported for all funds requiring a budget. This action will increase the meaningfulness of the budget monitoring control.

County's Response: The Commissioners will try to make sure no fund exceeds its expenditures unless a budget correction is made.

Auditor's Evaluation: The stated corrective action is responsive to the recommendation.

8. Lack of Investment Policy

Condition: The County has not adopted an investment policy. The purpose of an investment policy is to establish the investment scope, objectives, delegation of authority, internal controls, standards of prudence, authorized investments and transactions, diversification mandate, risk tolerance, safekeeping and custodial procedures, and reporting requirements for the investment of cash funds. At the County, such a policy may establish criteria to determine when the investment of cash deposits should be considered, assigning responsibility for monitoring collateral, addressing procedures for overseeing and securing deposits in bond reserve accounts, procedures for bidding bank depositories, as well as policies and procedures specific to individual investment decisions. Section 110.270, RSMo 2007, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2007, requires political subdivisions with authority to invest in instruments other than depository

accounts at financial institutions to adopt a written investment policy. Among other things, the policy should commit the County to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation.

We recognize that the County has no investments, however, creating an investment policy is an effort best accomplished with due consideration to all relevant factors, and not in a limited amount of time when the need is finally recognized. Such a policy also provides guidance for incoming Treasurers and can foster continuity in the County's investment strategies and self-imposed limits.

Adopting an investment policy is not only a prudent business practice, it is also required by state statutes.

Recommendation: We recommend the County adopt an investment policy and review compliance with this policy at least annually.

County Response: DeKalb County has adopted an investment policy.

Auditor's Evaluation: We have reviewed the investment policy adopted by the County and do not feel that it is sufficient to meet the requirements of RSMo 30.950. Our recommendation stands as stated in this report.

OTHER MATTERS

In planning and performing our audit of the financial statements of DeKalb County, Missouri (the County) as of and for the years ended December 31, 2009 and 2008, in accordance with generally accepted government auditing standards, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of certain matters that are an opportunity for strengthening internal controls and operating efficiency. Our comment and suggestion regarding this matter is summarized below. We previously reported on the County's internal control in our report dated June 21, 2010. (A separate report dated June 21, 2010 contains our report on significant deficiencies in the County's internal control). This document does not affect our report dated June 21, 2010.

9. Errors in Published Financial Statements

Condition: A discrepancy was noted in the published financial statements regarding the cash balance of the Cemetery Trust fund at December 31, 2008. The 2008 published financials have an ending cash balance of \$4,930, while the 2009 published financial statements report the beginning cash balance of the fund as \$5,543. There were also two typographical errors noted that resulted in misstated ending cash balances. On the 2008 published financials, the ending balance of the Assessment fund is incorrectly stated as \$3,897 while the cash available less the disbursements is correctly reported on the statement as \$6,897. On the 2009 published financials, the disbursements of the Law Library fund are reported as \$2,682 instead of \$2,862,

causing the ending cash balance to differ with the balance reported in the accounting records.

Recommendation: We recommend that the County take greater care in ensuring the mathematical accuracy of amounts reported in the published financials and resolve any discrepancies between the published amounts and amounts reported in the budget.

County's Response: The County will take greater care in ensuring mathematical accuracy of amounts reported in the published financials and will follow up on any discrepancies between the published amounts and amounts reported in the budget.

Auditor's Evaluation: The stated corrective action is responsive to the recommendation.

10. Authorized Signers

Condition: A review of the current signature card for the County Clerk's Election account noted that a former employee was listed as an authorized signer. This oversight creates an opportunity for former County employees to access County funds. When notified of the former employee's presence on the signature card, the County Clerk stated that the employee's name would be removed immediately.

Recommendation: We recommend that the County ensure that signature cards are kept up to date so that only current authorized employees of the County are allowed to sign checks.

County's Response: The County will ensure that signature cards are kept up to date. The signature card has been corrected for the County Clerk's Election Fund.

Auditor's Evaluation: The stated corrective action is responsive to the recommendation.

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

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by DeKalb County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2007 and 2006.

1. Transfers in exceeded transfers out in 2006 and 2007 as a result of recording some transactions as expenditures rather than transfers out.

Status – Not Resolved. See Finding No. 4.

2. Invoices are not marked as paid when they are presented for approval. In some cases, the payment voucher is marked, however, the voucher and invoice could become separated and the invoice could be presented for payment again. Also, documents are not signed by County employees to indicate that purchased goods or services have been received.

Status – The recommendation to mark the actual invoice as paid was not implemented. The County did implement a control to have employees who receive goods or services sign the invoices, however, our testing noted instances in which this procedure was not performed. See Finding No. 3.

3. Expenditures exceeded budgeted amounts for six funds in 2006 and five funds in 2007.

Status – Not resolved. See Finding No. 7.