



**ADAIR COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2001**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2002-94
September 25, 2002
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
Claire McCaskill

September 2002

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Adair, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also provide a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and it does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Adair County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- Formal budgets were not prepared for various county funds during the two years ended December 31, 2001. Expenditures totaling in excess of \$4 million were incurred for these funds during the audit period. In addition, actual expenditures exceeded budgeted expenditures of various funds by approximately \$340,000 and \$65,000 during the years ended December 31, 2001 and 2000, respectively.
- The county does not have adequate procedures in place to track federal awards for preparation of the schedule of expenditures of federal awards (SEFA). The county's SEFA during the audit period did not include expenditures related to the majority of its federal grant programs. Additionally, the county has not established cash management procedures to ensure the minimum time elapses between its receipt of federal project monies and the distribution of such monies to contractors.
- Although the General Revenue Fund cash balance at December 31, 2001, had increased approximately \$322,000 since December 31, 1999, the county estimates it will deplete approximately \$214,000 of the cash balance during the year ended December 31, 2002, with increased obligations which are likely to be recurring. The county should continue to review discretionary expenditures and efficiently use resources available to the county.
- Salaries for most elected county officials increased significantly in January 1998. By using the salary schedules from the 1998 statutes (those changed by Senate Bill No. 11, effective August 28, 1997), mid-term raises were in effect granted to

(over)

YELLOW SHEET

county elected officials. The raises ranged from \$5,500 to \$12,000. Some offices began a new term in 1999 and the salary increase for those officials is in question for only one year.

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to the Associate County Commissioners, totaling approximately \$21,180 for the three years ended December 31, 2000, should be repaid and raises given to other officials within their term of office should be re-evaluated for propriety.

- Billing statements were not always reconciled to invoices prior to payment. The county made duplicate payments on several invoices totaling approximately \$39,800 during the year ended December 31, 2001. In addition, numerous checks, totaling approximately \$77,600, were voided prior to issuance because the checks were made payable to the wrong vendor or for the wrong amount, or because the county had a credit balance with the vendor.
- Effective January 2001, the County Commission adopted a self-funded health insurance plan for county employees. A formal cost/benefit analysis was not performed comparing the benefits and costs of a self-funded insurance plan compared to a conventional plan, the Self-Funded Insurance Fund was not sufficiently funded, the plan was renewed for a second year without soliciting bids for other coverage, and the amount budgeted for claims during 2002 did not consider the potential liability increase to the county. The County Commission indicated they are currently pursuing other avenues of providing health insurance.
- The Recorder of Deeds distributed approximately \$18,600 in excess fees to the County Treasurer during the four years ended December 31, 2001, resulting in a shortage in the official bank account. In addition, interest and copy monies of approximately \$1,400 and \$7,200, respectively, were not distributed to the General Revenue Fund during the four years ended December 31, 2001. This situation occurred and went unnoticed by the Recorder of Deeds because of weaknesses in accounting controls and procedures.
- For some cases in which the Prosecuting Attorney enters into plea bargains, he requires the defendant to make a "donation" as a condition of the plea bargain. The Prosecuting Attorney does not make the Associate Circuit Judge aware of the "donation" when presenting the plea bargain to the court. The Judge indicated she would have to remove herself from the case if she became aware that a "donation" was a stipulation of the plea bargain. Given this, the Prosecuting Attorney and Associate Circuit Judge should reevaluate whether requiring donations as part of a plea bargain is acceptable. Other concerns were noted with the distribution of the "donations", the manner in which the amounts of the donations are determined, and the donation records maintained. In addition, internal controls in the Prosecuting Attorney's office are lacking for various monies collected by his office.

Other areas where concerns were noted included budgetary practices, general fixed asset records and procedures, employee time sheets and leave records, controls over property tax books, Sheriff's office records and procedures, and health center procedures.

All reports are available on our website: www.auditor.state.mo.us

ADAIR COUNTY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>	
<hr/> <u>FINANCIAL SECTION</u> <hr/>		
State Auditor's Reports:	2-6	
Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4	
Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	5-6	
Financial Statements:	7-20	
<u>Exhibit</u>	<u>Description</u>	
A-1	Statement of Receipts, Disbursements, and Changes in Cash - Various Funds Year Ended December 31, 2001	8
A-2	Year Ended December 31, 2000	9
B	Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds, Years Ended December 31, 2001 and 2000	10-20
Notes to the Financial Statements	21-25	
Supplementary Schedule:	26-29	
Schedule of Expenditures of Federal Awards, Years Ended December 31, 2001 and 2000	27-29	
Notes to the Supplementary Schedule	30-32	
<hr/> <u>FEDERAL AWARDS - SINGLE AUDIT SECTION</u> <hr/>		
State Auditor's Report:	34-36	
Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	35-36	

ADAIR COUNTY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
<hr/> <u>FEDERAL AWARDS - SINGLE AUDIT SECTION</u> <hr/>	
Schedule:.....	37-44
Schedule of Findings and Questioned Costs (Including Management's Plan for Corrective Action), Years Ended December 31, 2001 and 2001.....	38-44
Section I - Summary of Auditor's Results	38-39
Section II - Financial Statement Findings	39-40
<u>Number</u>	<u>Description</u>
01-1.	County Budgets.....
	39
Section III - Federal Award Findings and Questioned Costs.....	41-44
01-2.	Schedule of Expenditures of Federal Awards.....
	41
01-3.	Cash Management.....
	42
01-4.	Suspension and Debarment Compliance
	44
Follow-Up on Prior Audit Findings for an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	45-46
Summary Schedule of Prior Audit Findings in Accordance With OMB Circular A-133	47-48
<hr/> <u>MANAGEMENT ADVISORY REPORT SECTION</u> <hr/>	
Management Advisory Report - State Auditor's Findings	50-74
<u>Number</u>	
1.	County Financial Condition
	52
2.	County Officials' Compensation
	53
3.	County Expenditures.....
	54
4.	Budgetary Practices.....
	55
5.	Self-Funded Health Insurance Plan.....
	56

ADAIR COUNTY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
<u>MANAGEMENT ADVISORY REPORT SECTION</u>	
<u>Number</u>	<u>Description</u>
6.	General Fixed Asset Records and Procedures58
7.	Personnel Policies and Procedures.....59
8.	Property Tax Controls.....60
9.	Recorder of Deeds' Records and Procedures64
10.	Prosecuting Attorney's Plea Bargains Controls and Procedures66
11.	Prosecuting Attorney's Controls and Procedures68
12.	Sheriff's Records and Controls.....71
13.	Health Center Procedures.....73
	Follow-Up on Prior Audit Findings..... 75-82
<u>STATISTICAL SECTION</u>	
	History, Organization, and Statistical Information 84-90

FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Adair County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Adair County, Missouri, as of and for the years ended December 31, 2001 and 2000, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

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

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Adair County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Adair County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Adair County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

2001 and 2000, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 11, 2002, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Adair County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

April 11, 2002 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Charles R. Van Loo, CPA
Audit Staff:	Susan Kirchner Anne Jenkins



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Adair County, Missouri

We have audited the special-purpose financial statements of various funds of Adair County, Missouri, as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated April 11, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Adair County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 01-1. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Adair County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial

reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 01-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Adair County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 11, 2002 (fieldwork completion date)

Financial Statements

Exhibit A-1

ADAIR COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2001

Fund	Cash,			Cash,
	January 1	Receipts	Disbursements	December 31
General Revenue	\$ 240,640	1,853,332	1,745,765	348,207
Special Road and Bridge	247,533	1,534,512	1,294,769	487,276
Assessment	4,003	211,683	209,796	5,890
Prosecuting Attorney Training	1,396	995	1,007	1,384
Law Enforcement Sales Tax - Services	6,396	863,938	847,427	22,907
Law Enforcement Sales Tax - Construction	1,016,162	705,913	1,594,824	127,251
Law Enforcement Training	2,144	5,352	6,848	648
Multi-County Child Support	5,148	64,038	67,813	1,373
Domestic Violence Shelter	5,054	2,108	4,769	2,393
Health Center	400,102	941,202	950,072	391,232
Recorder Users	37,426	10,238	5,481	42,183
Prosecuting Attorney Administrative	13,949	29,678	24,857	18,770
Prosecuting Attorney Delinquent Sales Tax	3,113	5,720	2,689	6,144
Sheriff Civil Fees	12,525	44,196	10,675	46,046
County Clerk Election	3,917	4,372	1,259	7,030
E-911	12,237	48,146	48,603	11,780
Juvenile Grant Operations	44,569	235,998	262,871	17,696
Family Advocate Center	6,773	112,138	107,157	11,754
Self Funded Health Insurance	5,256	294,119	298,984	391
Countryside	83,519	5,365	0	88,884
K-9 Cop	736	408	313	831
Juvenile Justice System	3,636	392,197	311,903	83,930
Helicopter	16	27,384	12,623	14,777
Milliken Cemetery	5,519	1,183	550	6,152
Drug Enforcement Forfeiture	433	8	231	210
Neglected and Delinquent Children	55,951	109,018	160,530	4,439
Local Law Enforcement Block Grant	546	0	0	546
Recorder Technology	0	2,058	0	2,058
Operation Cash Crop	2	0	0	2
Violence Intervention Services	0	25,661	25,661	0
Law Enforcement Center Bond	0	379,540	352,322	27,218
Community Development Block Grant	1,000	21,754	22,754	0
Associate Court Interest Fund	3,218	338	0	3,556
Prosecuting Attorney MOPS Grant	0	13,499	10,538	2,961
Circuit Clerk Interest	2,437	4,315	0	6,752
Drug Task Force	14,491	250,761	258,629	6,623
Total	\$ 2,239,847	8,201,167	8,641,720	1,799,294

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

Exhibit A-2

ADAIR COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 26,504	1,973,431	1,759,295	240,640
Special Road and Bridge Assessment	239,646	1,777,770	1,769,883	247,533
Prosecuting Attorney Training	12,928	184,429	193,354	4,003
Law Enforcement Sales Tax - Services	329	1,067	0	1,396
Law Enforcement Sales Tax - Construction	120,163	677,547	791,314	6,396
Law Enforcement Training	471,757	689,289	144,884	1,016,162
Multi-County Child Support	1,548	6,168	5,572	2,144
Domestic Violence Shelter	2,154	64,069	61,075	5,148
Health Center	3,713	1,341	0	5,054
Recorder Users	288,229	1,045,184	933,311	400,102
Prosecuting Attorney Administrative	32,285	9,546	4,405	37,426
Prosecuting Attorney Delinquent Sales Tax	7,851	26,766	20,668	13,949
Sheriff Civil Fees	639	2,474	0	3,113
County Clerk Election	17,437	35,999	40,911	12,525
E-911	0	7,756	3,839	3,917
Juvenile Grant Operations	0	22,708	10,471	12,237
Family Advocate Center	8,289	459,705	423,425	44,569
Self Funded Health Insurance	0	142,038	135,265	6,773
Countryside	0	5,256	0	5,256
K-9 Cop	78,592	4,927	0	83,519
Juvenile Justice System	1,129	0	393	736
Helicopter	3,081	2,898,132	2,897,577	3,636
Milliken Cemetery	1,268	1,646	2,898	16
Drug Enforcement Forfeiture	4,885	859	225	5,519
Neglected and Delinquent Children	422	11	0	433
Local Law Enforcement Block Grant	40,900	184,484	169,433	55,951
Operation Cash Crop	546	0	0	546
Violence Intervention Services	2	1,054	1,054	2
Community Development Block Grant	0	25,956	25,956	0
Associate Court Interest Fund	1,000	141,071	141,071	1,000
Circuit Clerk Interest Fund	0	3,218	0	3,218
Law Enforcement Construction - Note	0	2,437	0	2,437
Drug Task Force	5,639	6,507	12,146	0
Total	\$ 38,516	208,748	232,773	14,491
	\$ 1,409,452	10,611,593	9,781,198	2,239,847

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

Exhibit B

ADAIR COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 6,569,386	7,503,241	933,855	6,329,791	6,493,739	163,948
DISBURSEMENTS	8,118,604	7,971,816	146,788	6,410,860	5,724,672	686,188
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,549,218)	(468,575)	1,080,643	(81,069)	769,067	850,136
CASH, JANUARY 1	2,220,297	2,218,699	(1,598)	1,221,328	1,221,470	142
CASH, DECEMBER 31	671,079	1,750,124	1,079,045	1,140,259	1,990,537	850,278
GENERAL REVENUE FUND						
RECEIPTS						
Sales taxes	1,225,000	1,297,221	72,221	1,224,536	1,281,372	56,836
Intergovernmental	168,891	175,918	7,027	272,829	282,493	9,664
Charges for services	297,000	301,242	4,242	312,010	313,275	1,265
Interest	17,000	24,028	7,028	10,000	19,505	9,505
Other	42,934	54,923	11,989	48,181	76,786	28,605
Total Receipts	1,750,825	1,853,332	102,507	1,867,556	1,973,431	105,875
DISBURSEMENTS						
County Commission	87,070	92,420	(5,350)	85,480	87,866	(2,386)
County Clerk	115,200	106,610	8,590	115,150	108,359	6,791
Elections	19,825	12,579	7,246	63,780	60,693	3,087
Buildings and grounds	94,730	76,020	18,710	78,550	77,215	1,335
Employee fringe benefits	278,210	192,839	85,371	231,263	266,123	(34,860)
County Treasurer	57,731	52,374	5,357	67,381	54,670	12,711
County Collector	113,510	107,061	6,449	112,500	100,756	11,744
Recorder of Deeds	91,055	86,756	4,299	103,000	100,590	2,410
Circuit Clerk	25,000	24,851	149	33,500	16,652	16,848
Associate Circuit Court	20,000	13,522	6,478	27,250	12,455	14,795
Court administration	7,596	1,673	5,923	7,596	18,443	(10,847)
Public Administrator	56,930	55,807	1,123	46,600	64,649	(18,049)
Sheriff	0	39,406	(39,406)	110,060	90,455	19,605
Prosecuting Attorney	177,950	169,813	8,137	173,250	174,269	(1,019)
Juvenile Officer	240,296	187,998	52,298	240,296	232,543	7,753
County Coroner	14,600	14,155	445	13,600	13,390	210
Court Reporter	1,100	1,098	2	2,003	1,189	814
Surveyor	750	0	750	670	670	0
Debt service	62,000	212,929	(150,929)	0	0	0
Emergency Fund	60,000	18,444	41,556	56,027	0	56,027
Telephone	20,000	29,650	(9,650)	20,000	27,774	(7,774)
Insurance	45,230	44,843	387	34,000	35,650	(1,650)
Jury costs	8,000	0	8,000	17,000	6,709	10,291
Agricultural extention	48,300	48,300	0	46,740	42,829	3,911
Prisoner board	0	0	0	62,000	57,708	4,292
Other	24,721	94,617	(69,896)	57,900	106,306	(48,406)
Transfers out	107,800	62,000	45,800	20,000	1,332	18,668
Total Disbursements	1,777,604	1,745,765	31,839	1,825,596	1,759,295	66,301
RECEIPTS OVER (UNDER) DISBURSEMENTS	(26,779)	107,567	134,346	41,960	214,136	172,176
CASH, JANUARY 1	240,640	240,640	0	26,504	26,504	0
CASH, DECEMBER 31	213,861	348,207	134,346	68,464	240,640	172,176

Exhibit B

ADAIR COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	460,000	515,100	55,100	475,000	462,274	(12,726)
Intergovernmental	672,000	839,117	167,117	1,163,100	1,183,760	20,660
Charges for services	37,500	64,742	27,242	36,000	51,137	15,137
Interest	20,000	35,914	15,914	0	28,079	28,079
Other	15,000	79,639	64,639	23,000	52,520	29,520
Transfers in	0	0	0	239,646	0	(239,646)
Total Receipts	1,204,500	1,534,512	330,012	1,936,746	1,777,770	(158,976)
DISBURSEMENTS						
Salaries	356,830	364,933	(8,103)	405,250	375,715	29,535
Employee fringe benefits	138,010	129,030	8,980	151,749	130,285	21,464
Supplies	155,000	151,082	3,918	280,000	148,138	131,862
Road and bridge materials	392,000	451,307	(59,307)	948,000	941,109	6,891
Rentals	0	0	0	0	27,640	(27,640)
Equipment purchases	142,000	136,948	5,052	132,000	135,231	(3,231)
Construction, repair, and maintenance	50,000	42,439	7,561	0	0	0
Other	13,800	19,030	(5,230)	16,900	11,765	5,135
Contingency Fund	50,000	0	50,000	0	0	0
Total Disbursements	1,297,640	1,294,769	2,871	1,933,899	1,769,883	164,016
RECEIPTS OVER (UNDER) DISBURSEMENTS	(93,140)	239,743	332,883	2,847	7,887	5,040
CASH, JANUARY 1	247,533	247,533	0	239,646	239,646	0
CASH, DECEMBER 31	154,393	487,276	332,883	242,493	247,533	5,040
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	190,000	203,400	13,400	188,000	180,845	(7,155)
Interest	2,500	2,489	(11)	2,500	2,632	132
Other	1,000	794	(206)	1,050	952	(98)
Transfers in	51,800	5,000	(46,800)	51,800	0	(51,800)
Total Receipts	245,300	211,683	(33,617)	243,350	184,429	(58,921)
DISBURSEMENTS						
Assessor	205,209	209,796	(4,587)	216,250	193,354	22,896
Total Disbursements	205,209	209,796	(4,587)	216,250	193,354	22,896
RECEIPTS OVER (UNDER) DISBURSEMENTS	40,091	1,887	(38,204)	27,100	(8,925)	(36,025)
CASH, JANUARY 1	4,003	4,003	0	12,786	12,928	142
CASH, DECEMBER 31	44,094	5,890	(38,204)	39,886	4,003	(35,883)

Exhibit B

ADAIR COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	1,200	899	(301)	1,500	1,067	(433)
Interest	0	96	96	0	0	0
Total Receipts	1,200	995	(205)	1,500	1,067	(433)
DISBURSEMENTS						
Prosecuting Attorney	1,200	1,007	193	1,450	0	1,450
Total Disbursements	1,200	1,007	193	1,450	0	1,450
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(12)	(12)	50	1,067	1,017
CASH, JANUARY 1	1,396	1,396	0	329	329	0
CASH, DECEMBER 31	1,396	1,384	(12)	379	1,396	1,017
<u>LAW ENFORCEMENT SALES TAX-SERVICES</u>						
RECEIPTS						
Sales taxes	640,000	649,168	9,168	637,520	641,275	3,755
Intergovernmental	65,000	0	(65,000)	0	0	0
Charges for services	4,000	118,706	114,706	2,500	4,845	2,345
Interest	2,500	2,406	(94)	5,588	5,563	(25)
Other	6,000	33,658	27,658	1,000	10,864	9,864
Transfers In	101,000	60,000	(41,000)	0	15,000	15,000
Total Receipts	818,500	863,938	45,438	646,608	677,547	30,939
DISBURSEMENTS						
Sheriff	371,594	331,789	39,805	341,115	297,006	44,109
Jail	284,400	372,601	(88,201)	324,000	399,693	(75,693)
Employee Fringe Benefits	152,800	143,037	9,763	68,000	94,615	(26,615)
Total Disbursements	808,794	847,427	(38,633)	733,115	791,314	(58,199)
RECEIPTS OVER (UNDER) DISBURSEMENTS	9,706	16,511	6,805	(86,507)	(113,767)	(27,260)
CASH, JANUARY 1	6,396	6,396	0	120,163	120,163	0
CASH, DECEMBER 31	16,102	22,907	6,805	33,656	6,396	(27,260)
<u>LAW ENFORCEMENT SALES TAX - CONSTRUCTION</u>						
RECEIPTS						
Sales taxes	650,000	649,168	(832)	637,520	641,275	3,755
Interest	25,000	55,880	30,880	5,000	45,357	40,357
Other	0	865	865	200	2,657	2,457
Total Receipts	675,000	705,913	30,913	642,720	689,289	46,569
DISBURSEMENTS						
Architect	246,000	210,136	35,864	100,000	37,671	62,329
Builders risk insurance	8,400	0	8,400	0	0	0
Advertising/Publications	0	0	0	5,000	1,244	3,756
Land acquisition	0	0	0	80,000	40,978	39,022
Feasibility study	0	4,125	(4,125)	25,000	16,100	8,900
Construction Manager	220,000	257	219,743	20,000	24,952	(4,952)
Construction cost	1,215,600	1,380,306	(164,706)	200,000	1,400	198,600
Other	0	0	0	0	22,539	(22,539)
Total Disbursements	1,690,000	1,594,824	95,176	430,000	144,884	285,116
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,015,000)	(888,911)	126,089	212,720	544,405	331,685
CASH, JANUARY 1	1,016,162	1,016,162	0	471,757	471,757	0
CASH, DECEMBER 31	1,162	127,251	126,089	684,477	1,016,162	331,685

Exhibit B

ADAIR COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	1,300	1,691	391	2,500	1,842	(658)
Charges for services	4,700	3,558	(1,142)	4,700	4,218	(482)
Interest	100	103	3	90	108	18
Total Receipts	6,100	5,352	(748)	7,290	6,168	(1,122)
DISBURSEMENTS						
Sheriff	8,000	6,848	1,152	6,550	5,572	978
Total Disbursements	8,000	6,848	1,152	6,550	5,572	978
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,900)	(1,496)	404	740	596	(144)
CASH, JANUARY 1	2,144	2,144	0	1,548	1,548	0
CASH, DECEMBER 31	244	648	404	2,288	2,144	(144)
<u>MULTI COUNTY CHILD SUPPORT FUND</u>						
RECEIPTS						
Intergovernmental	105,719	62,674	(43,045)	64,427	62,561	(1,866)
Interest	0	275	275	250	297	47
Other	3,831	1,089	(2,742)	1,673	1,211	(462)
Transfers in	0	0	0	1,115	0	(1,115)
Total Receipts	109,550	64,038	(45,512)	67,465	64,069	(3,396)
DISBURSEMENTS						
Prosecuting Attorney	109,750	67,813	41,937	67,215	61,075	6,140
Total Disbursements	109,750	67,813	41,937	67,215	61,075	6,140
RECEIPTS OVER (UNDER) DISBURSEMENTS	(200)	(3,775)	(3,575)	250	2,994	2,744
CASH, JANUARY 1	5,148	5,148	0	2,154	2,154	0
CASH, DECEMBER 31	4,948	1,373	(3,575)	2,404	5,148	2,744
<u>DOMESTIC VIOLENCE SHELTER FUND</u>						
RECEIPTS						
Charges for services	2,000	1,969	(31)			
Interest	0	139	139			
Total Receipts	2,000	2,108	108			
DISBURSEMENTS						
Other	4,769	4,769	0			
Total Disbursements	4,769	4,769	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,769)	(2,661)	108			
CASH, JANUARY 1	5,054	5,054	0			
CASH, DECEMBER 31	2,285	2,393	108			

Exhibit B

ADAIR COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	345,817	396,976	51,159	334,913	354,154	19,241
Intergovernmental	90,000	139,707	49,707	139,026	131,444	(7,582)
Charges for services	180,000	306,820	126,820	360,500	472,285	111,785
Interest	10,000	17,392	7,392	10,000	20,972	10,972
Other	11,964	80,307	68,343	0	66,329	66,329
Total Receipts	637,781	941,202	303,421	844,439	1,045,184	200,745
DISBURSEMENTS						
Salaries	617,884	606,455	11,429	616,613	582,909	33,704
Employee benefits	150,000	137,838	12,162	100,500	135,414	(34,914)
Sick leave	17,000	0	17,000	17,000	0	17,000
Contracted services	65,000	50,216	14,784	236,055	55,387	180,668
Healthy children clinics	5,000	4,675	325	3,000	4,338	(1,338)
Telephone	5,000	3,569	1,431	3,000	4,500	(1,500)
Utilities	10,000	6,973	3,027	15,000	8,420	6,580
Medical supplies	75,000	59,903	15,097	60,000	65,275	(5,275)
Postage	4,000	2,626	1,374	4,000	3,499	501
Office supplies	10,000	3,134	6,866	10,000	3,707	6,293
Medical equipment	3,000	405	2,595	3,000	654	2,346
Office equipment	5,000	5,422	(422)	5,000	6,662	(1,662)
Mileage	30,000	20,825	9,175	30,000	23,872	6,128
Bonding and insurance	20,000	19,280	720	15,000	15,045	(45)
Other	25,000	28,751	(3,751)	14,500	23,629	(9,129)
Total Disbursements	1,041,884	950,072	91,812	1,132,668	933,311	199,357
RECEIPTS OVER (UNDER) DISBURSEMENTS	(404,103)	(8,870)	395,233	(288,229)	111,873	400,102
CASH, JANUARY 1	400,102	400,102	0	288,229	288,229	0
CASH, DECEMBER 31	(4,001)	391,232	395,233	0	400,102	400,102
<u>RECORDER USERS FUND</u>						
RECEIPTS						
Charges for services	7,600	7,672	72	0	7,342	7,342
Interest	2,200	2,566	366	9,300	2,204	(7,096)
Total Receipts	9,800	10,238	438	9,300	9,546	246
DISBURSEMENTS						
Recorder of Deeds	15,600	5,481	10,119	10,000	4,405	5,595
Total Disbursements	15,600	5,481	10,119	10,000	4,405	5,595
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,800)	4,757	10,557	(700)	5,141	5,841
CASH, JANUARY 1	37,426	37,426	0	32,285	32,285	0
CASH, DECEMBER 31	31,626	42,183	10,557	31,585	37,426	5,841

Exhibit B

ADAIR COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY ADMINISTRATIVE FUND</u>						
RECEIPTS						
Charges for services	25,000	28,632	3,632	28,000	26,079	(1,921)
Interest	0	1,046	1,046	500	687	187
Total Receipts	25,000	29,678	4,678	28,500	26,766	(1,734)
DISBURSEMENTS						
Prosecuting Attorney	25,500	24,857	643	20,000	20,668	(668)
Total Disbursements	25,500	24,857	643	20,000	20,668	(668)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(500)	4,821	5,321	8,500	6,098	(2,402)
CASH, JANUARY 1	13,949	13,949	0	7,851	7,851	0
CASH, DECEMBER 31	13,449	18,770	5,321	16,351	13,949	(2,402)
<u>PROSECUTING ATTORNEY DELINQUENT SALES TAX FUND</u>						
RECEIPTS						
Intergovernmental	3,000	5,467	2,467	1,000	2,474	1,474
Interest	0	253	253	200	0	(200)
Total Receipts	3,000	5,720	2,720	1,200	2,474	1,274
DISBURSEMENTS						
Prosecuting Attorney	3,000	2,689	311	1,000	0	1,000
Total Disbursements	3,000	2,689	311	1,000	0	1,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	3,031	3,031	200	2,474	2,274
CASH, JANUARY 1	3,113	3,113	0	639	639	0
CASH, DECEMBER 31	3,113	6,144	3,031	839	3,113	2,274
<u>SHERIFF CIVIL FEES FUND</u>						
RECEIPTS						
Charges for services	34,000	39,318	5,318	33,117	34,459	1,342
Interest	1,400	1,378	(22)	0	1,540	1,540
Transfers in	0	3,500	3,500	0	0	0
Total Receipts	35,400	44,196	8,796	33,117	35,999	2,882
DISBURSEMENTS						
Sheriff	45,000	3,175	41,825	33,117	25,911	7,206
Transfers out	0	7,500	(7,500)	0	15,000	(15,000)
Total Disbursements	45,000	10,675	34,325	33,117	40,911	(7,794)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,600)	33,521	43,121	0	(4,912)	(4,912)
CASH, JANUARY 1	12,525	12,525	0	17,437	17,437	0
CASH, DECEMBER 31	2,925	46,046	43,121	17,437	12,525	(4,912)

Exhibit B

ADAIR COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>COUNTY CLERK ELECTION FUND</u>						
RECEIPTS						
Charges for services	1,800	4,027	2,227			
Interest	25	345	320			
Total Receipts	1,825	4,372	2,547			
DISBURSEMENTS						
County Clerk	2,500	1,259	1,241			
Total Disbursements	2,500	1,259	1,241			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(675)	3,113	3,788			
CASH, JANUARY 1	3,917	3,917	0			
CASH, DECEMBER 31	3,242	7,030	3,788			
<u>E-911 FUND</u>						
RECEIPTS						
Charges for services	40,000	47,671	7,671			
Interest	0	475	475			
Total Receipts	40,000	48,146	8,146			
DISBURSEMENTS						
E-911 Board of Directors	40,000	48,603	(8,603)			
Total Disbursements	40,000	48,603	(8,603)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(457)	(457)			
CASH, JANUARY 1	12,237	12,237	0			
CASH, DECEMBER 31	12,237	11,780	(457)			
<u>JUVENILE GRANT OPERATIONS FUND</u>						
RECEIPTS						
Intergovernmental	253,370	235,998	(17,372)			
Total Receipts	253,370	235,998	(17,372)			
DISBURSEMENTS						
Juvenile Officer	258,153	262,871	(4,718)			
Total Disbursements	258,153	262,871	(4,718)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,783)	(26,873)	(22,090)			
CASH, JANUARY 1	44,569	44,569	0			
CASH, DECEMBER 31	39,786	17,696	(22,090)			

Exhibit B

ADAIR COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>FAMILY ADVOCATE CENTER FUND</u>						
RECEIPTS						
Intergovernmental	97,633	111,473	13,840			
Other	0	665	665			
Total Receipts	97,633	112,138	14,505			
DISBURSEMENTS						
Juvenile Officer	98,311	107,157	(8,846)			
Total Disbursements	98,311	107,157	(8,846)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(678)	4,981	5,659			
CASH, JANUARY 1	6,773	6,773	0			
CASH, DECEMBER 31	6,095	11,754	5,659			
<u>SELF FUNDED HEALTH INSURANCE FUND</u>						
RECEIPTS						
Interest	0	1,712	1,712			
Transfers in	275,052	292,407	17,355			
Total Receipts	275,052	294,119	19,067			
DISBURSEMENTS						
Administrative costs	25,542	1,000	24,542			
Cost of insurance	112,800	139,323	(26,523)			
Claims and pharmacy	141,966	158,661	(16,695)			
Total Disbursements	280,308	298,984	(18,676)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,256)	(4,865)	391			
CASH, JANUARY 1	5,256	5,256	0			
CASH, DECEMBER 31	0	391	391			
<u>COUNTRYSIDE FUND</u>						
RECEIPTS						
Interest	5,000	5,365	365			
Total Receipts	5,000	5,365	365			
DISBURSEMENTS						
Indigents	0	0	0			
Total Disbursements	0	0	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,000	5,365	365			
CASH, JANUARY 1	83,519	83,519	0			
CASH, DECEMBER 31	88,519	88,884	365			

Exhibit B

ADAIR COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>K-9 COP FUND</u>						
RECEIPTS						
Other	0	408	408			
Total Receipts	0	408	408			
DISBURSEMENTS						
Food and care for K-9 officer	430	172	258			
Other	100	141	(41)			
Total Disbursements	530	313	217			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(530)	95	625			
CASH, JANUARY 1	736	736	0			
CASH, DECEMBER 31	206	831	625			
<u>JUVENILE JUSTICE SYSTEM FUND</u>						
RECEIPTS						
Intergovernmental	168,000	325,745	157,745			
Loan proceeds	32,000	66,452	34,452			
Total Receipts	200,000	392,197	192,197			
DISBURSEMENTS						
Juvenile Justice Center	229,129	311,903	(82,774)			
Total Disbursements	229,129	311,903	(82,774)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(29,129)	80,294	109,423			
CASH, JANUARY 1	3,636	3,636	0			
CASH, DECEMBER 31	(25,493)	83,930	109,423			
<u>HELICOPTER FUND</u>						
RECEIPTS						
Interest	0	384	384			
Other	15,000	23,500	8,500			
Transfers in	1,000	3,500	2,500			
Total Receipts	16,000	27,384	11,384			
DISBURSEMENTS						
Hanger rent	1,380	920	460			
Electricity	120	632	(512)			
Insurance	5,400	4,986	414			
Inspection	1,000	2,250	(1,250)			
Fuel	4,000	335	3,665			
Transfers out	0	3,500	(3,500)			
Total Disbursements	11,900	12,623	(723)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,100	14,761	10,661			
CASH, JANUARY 1	16	16	0			
CASH, DECEMBER 31	4,116	14,777	10,661			

Exhibit B

ADAIR COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>MILLIKEN CEMETERY FUND</u>						
RECEIPTS						
Interest	0	370	370			
Dividends	450	813	363			
Total Receipts	450	1,183	733			
DISBURSEMENTS						
Cemetery upkeep	225	550	(325)			
Total Disbursements	225	550	(325)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	225	633	408			
CASH, JANUARY 1	5,519	5,519	0			
CASH, DECEMBER 31	5,744	6,152	408			
<u>DRUG ENFORCEMENT FORFEITURE FUND</u>						
RECEIPTS						
Interest	0	8	8			
Total Receipts	0	8	8			
DISBURSEMENTS						
Food and care for K-9 officer	430	231	199			
Total Disbursements	430	231	199			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(430)	(223)	207			
CASH, JANUARY 1	433	433	0			
CASH, DECEMBER 31	3	210	207			
<u>NEGLECTED AND DELINQUENT CHILDREN FUND</u>						
RECEIPTS						
Intergovernmental	150,000	97,093	(52,907)			
Interest	0	2,674	2,674			
Other	0	9,251	9,251			
Total Receipts	150,000	109,018	(40,982)			
DISBURSEMENTS						
Juvenile Officer	155,168	160,530	(5,362)			
Total Disbursements	155,168	160,530	(5,362)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,168)	(51,512)	(46,344)			
CASH, JANUARY 1	55,951	55,951	0			
CASH, DECEMBER 31	\$ 50,783	4,439	(46,344)			

Exhibit B

ADAIR COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LOCAL LAW ENFORCEMENT BLOCK GRANT FUND						
RECEIPTS						
Interest	100	0	(100)			
Other	6,000	0	(6,000)			
Total Receipts	<u>6,100</u>	<u>0</u>	<u>(6,100)</u>			
DISBURSEMENTS						
Sheriff	8,000	0	8,000			
Total Disbursements	<u>8,000</u>	<u>0</u>	<u>8,000</u>			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,900)	0	1,900			
CASH, JANUARY 1	2,144	546	(1,598)			
CASH, DECEMBER 31	<u>244</u>	<u>546</u>	<u>302</u>			

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

Notes to the Financial Statements

ADAIR COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Adair County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Domestic Violence Shelter Fund	2000
County Clerk Election Fund	2000
E-911 Fund	2000
Juvenile Grant Operations Fund	2000
Family Advocate Center Fund	2000
Self Funded Health Insurance Fund	2000
Countryside Fund	2000
K-9 Cop Fund	2000
Juvenile Justice System Fund	2000
Helicopter Fund	2000
Milliken Cemetery Fund	2000
Drug Enforcement Forfeiture Fund	2000
Neglected and Delinquent Children Fund	2000
Recorder Technology Fund	2001
Operation Cash Crop Fund	2000
Violence Intervention Services Fund	2001 and 2000
Law Enforcement Center Bond Fund	2001
Community Development Block Grant Fund	2001 and 2000
Associate Court Interest Fund	2001 and 2000
Prosecuting Attorney MOPS Grant Fund	2001
Circuit Clerk Interest Fund	2001 and 2000
Law Enforcement Construction-Note Fund	2000
Drug Task Force Fund	2001 and 2000

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Assessment Fund	2001
Law Enforcement Sales Tax- Services Fund	2001 and 2000
Prosecuting Attorney Administrative Fund	2000
Sheriff Civil Fees Fund	2000
E-911 Fund	2001
Juvenile Grant Operations Fund	2001
Family Advocate Center Fund	2001
Self Funded Health Insurance Fund	2001
Juvenile Justice System Fund	2001
Helicopter Fund	2001
Milliken Cemetery Fund	2001
Neglected and Delinquent Children Fund	2001

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

Although Section 50.740, RSMo 2000, requires a balanced budget, deficit balances were budgeted in the Juvenile Justice System Fund and Health Center Fund for the year ended December 31, 2001. The budget document of the Health Center Fund reflects a \$-0- budgeted balance; however, a mathematical error resulted in an actual deficit budgeted balance. Although not presented on the budget document, other resources were available to finance current or future year disbursements of the Health Center Fund. Generally, other available net resources represented current year property taxes not received before December 31. Such resources were sufficient to offset the deficit budget balance presented.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
County Clerk Election Fund	2000
E-911 Fund	2000
Juvenile Grant Operations Fund	2000
Family Advocate Center Fund	2000
Self Funded Health Insurance Fund	2000
Countryside Fund	2000
Juvenile Justice System Fund	2000
Drug Enforcement Forfeiture Fund	2001 and 2000
Local Law Enforcement Block Grant Fund	2001 and 2000
Operation Cash Crop Fund	2001 and 2000
Community Development Block Grant Fund	2001 and 2000
Associate Court Interest Fund	2001 and 2000
Circuit Clerk Interest Fund	2001 and 2000
Law Enforcement Construction-Note Fund	2000
Drug Task Force Fund	2000

In addition, the amounts presented for the Health Center Fund included only those monies passed through the County Treasurer.

2. Cash

Section 110.270, RSMo 2000, 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 2000, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

Cash includes both deposits and investments. In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of deposits and investments. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

The county's deposits at December 31, 2001 and 2000, were entirely covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name.

The health center's deposits at December 31, 2001 and 2000, were entirely covered by federal depository insurance or by collateral securities held by the health center's custodial bank in the health center's name.

Investments

The only investment of the various funds at December 31, 2001 and 2000, was corporate stock with a carrying amount of \$156.

This investment was held by the County Treasurer as part of the assets in the Milliken Cemetery Fund.

Supplementary Schedule

SCHEDULE

ADAIR COUNTY, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2001	2000
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
Department of Economic Development -				
14.228	Community Development Block Grants/State's Program	99-PF-11 98-PF-01	22,754 0	123,091 17,980
	Program Total		<u>22,754</u>	<u>141,071</u>
Department of Social Services -				
14.231	Emergency Shelter Grants Program	ERO1640372	19,142	20,525
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
State Department of Public Safety -				
16.523	Juvenile Accountability Incentive Block Grants	98-JAIBG-CB-001	0	1,055,689
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	99-JFJ6-15 99-JFJ7-18 00-JFJ6-13	780	52,420
16.554	National Criminal History Improvement Program	95-RU-RX-K011	22,456	0
16.579	Byrne Formula Grant Program	99-NCD2-005 00-NCD2-003 00-NCD2-014	0 63,019 61,399	67,873 81,530 0
	Program Total		<u>124,418</u>	<u>149,403</u>
Missouri Sheriff's Meth-Amphetamine Relief Team				
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	TF-2001-08	56,670	0
Missouri Sheriffs' Association -				
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	824	1,054

SCHEDULE

ADAIR COUNTY, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2001	2000
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state:				
Highway and Transportation Commission -				
20.205	Highway Planning and Construction	BRO-001(19)	0	497,398
		BRO-001(21)	495	200,436
		BRO-001(22)	9,370	0
	Program Total		<u>9,865</u>	<u>697,834</u>
Department of Public Safety -				
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	2,186	0
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration -				
39.003	Donation of Federal Surplus Personal Property	N/A	2,816	15,234
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Health -				
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	ERS146-1100L ERS146-1100L ERO148-0100CLP	1,464	5
93.268	Immunization Grants	PGA064-0100M PGA064-2000M N/A	782 37,597	794 31,592
	Program Total		<u>38,379</u>	<u>32,386</u>
Department of Social Services -				
93.563	Child Support Enforcement	N/A	57,020	61,728
Department of Health -				
93.575	Child Care and Development Block Grant	PGA067-1100S PGA067-0100S PGA067-1100C PGA067-2100S	4,291	3,858

SCHEDULE

ADAIR COUNTY, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2001	2000
	Department of Social Services -			
93.667	Social Services Block Grant	ERO172133	8,262	575
	Department of Health -			
93.917	HIV Care Formula Grants	C100002001 ERO172094 DH020002001	12,343	7,823
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	ERS161-0026 ERS161-10011 C000168001	5,875	5,315
93.940	HIV Prevention Activities - Health Department Based	C000152001 N/A	892 0	6,274 7,679
	Program Total		<u>892</u>	<u>13,953</u>
93.991	Preventive Health and Health Services Block Grant	C100040001 N/A	10,000 0	0 354
93.994	Maternal and Child Health Services Block Grant to the States	C100015001 ERS175-1100F ERS146-1100M ERS175-0100F DH020027001 N/A	28,053 3,481	25,778 1,772
	Program Total		<u>31,534</u>	<u>27,550</u>
	Total Expenditures of Federal Awards		<u>\$ 431,971</u>	<u>2,286,777</u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

ADAIR COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

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

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

B. Basis of Presentation

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

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

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

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

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Amounts for Immunization Grants (CFDA number 93.268), the Preventive Health and Health Services Block Grant (CFDA number 93.991), and the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2001 and 2000.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

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

To the County Commission
and
Officeholders of Adair County, Missouri

Compliance

We have audited the compliance of Adair County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2001 and 2000. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

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

In our opinion, Adair County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2001 and 2000. However, the results of our auditing procedures disclosed

instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 01-2 through 01-4.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 01-2 through 01-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

This report is intended for the information of the management of Adair County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 11, 2002 (fieldwork completion date)

Schedule

ADAIR COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2001 AND 2000

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? yes x no

Reportable condition identified that is not considered to be a material weakness? x yes none reported

Noncompliance material to the financial statements noted? x yes no

Federal Awards

Internal control over major programs:

Material weaknesses identified? yes x no

Reportable conditions identified that are not considered to be material weaknesses? x yes none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? x yes no

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
14.228	Community Development Block Grants/State's Program
16.540	Juvenile Accountability Incentive Block Grant
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? yes x no

Section II - Financial Statement Findings

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

01-1. County Budgets

- A. Formal budgets were not prepared for various county funds including the Violence Intervention Services Fund and CDBG Fund for the two years ended December 31, 2001, the Law Enforcement Center Bond Fund and Prosecuting Attorney MOPS Grant Fund for the year ended December 31, 2001, and various funds related to funding of the Juvenile Justice Center and programs administered by the Juvenile Officer for the year ended December 31, 2000. Expenditures totaling in excess of \$4 million were incurred for these funds during the two years ended December 31, 2001. The County Clerk indicated he relies on the respective officials to submit budgets for these funds. There are no follow up procedures in place to ensure budgets are received for all funds.

Chapter 50, RSMo 2000, requires the preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. Failure to prepare or obtain budgets for all county funds and activities reduces the County Commission's ability to effectively monitor fund activity and efficiently evaluate all county financial resources.

- B. Actual expenditures exceeded budgeted expenditures of various funds by approximately \$340,000 and \$65,000 during the years ended December 31, 2001 and 2000, respectively. In addition, during December 2001, the County Commission approved and submitted revised budgets to the State Auditor's office for various funds, including funds that were not originally budgeted. Prior to submitting budget

revisions, the County Commission had approved disbursements in excess of \$450,000 from the funds that were not originally budgeted. Subsequent to submitting revised budgets, the County Commission approved expenditures that resulted in actual expenditures exceeding revised budgeted expenditures by a total of approximately \$105,000 for five of the amended funds.

It was ruled in State ex. rel. Strong V. Cribb, 364 Mo. 1122, 273 SW 2d 246(1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for the adoption of the annual budget to amend the budget.

WE RECOMMEND the County Commission:

- A. Ensure that budgets are prepared for all county funds in accordance with state law.
- B. Ensure that disbursements are not authorized in excess of budgeted expenditures. In addition, if valid reasons necessitate excess expenditures, the budget should be formally amended following the same process by which the annual budget is approved, including holding public hearings and filing the amendment with the State Auditor's Office.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

- A. *The County Commission has achieved substantial compliance in 2002 and will strive to ensure all funds are budgeted in 2003.*
- B. *The County Commission and the County Clerk achieved the printing and distribution of monthly budget status reports in April of 2001, and the reports have been issued on a regular monthly basis since that time. However, the County Commission and the County Clerk did not give adequate attention to monitoring the reports for potential problems, which resulted in some disbursements beyond the budgeted expenditures at the end of the year. More attention has been devoted to monitoring the monthly budget status reports in 2002, and the County Commission and the County Clerk will meet with the other county officers and department heads in September and November to review the latest budget status reports and to identify potential problems.*

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

01-2.	Schedule of Expenditures of Federal Awards
--------------	---

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	State Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass-Through Entity	
Identifying Number:	99-PF-11 and 98-PF-01
Award Years:	2001 and 2000
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	State Department of Public Safety
Federal CFDA Number:	16.523
Program Title:	Juvenile Accountability Incentive Block Grant
Pass-Through Entity	
Identifying Number:	98-JAIBG-CB-001
Award Year:	2000
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO-001(19), BRO-001(21) and BRO-001(22)
Award Years:	2000 and 2001
Questioned Costs:	Not Applicable

Section .310(b) of Circular A-133, *Audits of State and Local Government, and Nonprofit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as a part of the annual budget.

The county does not have adequate procedures in place to track federal awards for the preparation of the SEFA. For the years ended December 31, 2001 and 2000, the county's SEFA did not include expenditures related to the majority of its federal grant programs. None of the federal programs administered by the health center were reported on the original

SEFA in 2001 and 2000. In addition, the Juvenile Accountability Incentive Block Grant was incorrectly included on the 2001 SEFA instead of on the 2000 SEFA.

We discussed the deficiencies with the County Clerk and requested that he prepare a revised SEFA. Information was also requested from the health center. The revised SEFA still did not include various federal programs the county participated in.

Compilation of the SEFA requires consulting financial records and requesting information from other departments and/or officials. Considering the overall incompleteness and inaccuracies contained in the SEFA, it appears the County Clerk's efforts to prepare an accurate and complete SEFA were lacking.

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

A similar condition was noted in the prior two audits.

WE AGAIN RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards and submit the schedule to the State Auditor's office as part of the annual budget.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk has sent letters to the Juvenile Officer, the Sheriff, and Victims Support Services requesting cooperation with reporting the federal dollars received and expended in order to comply with the SEFA requirements and the County Clerk will make every effort to comply with the recommendation. The County Clerk indicated he will also contact the health center for this information.

01-3.

Cash Management

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	State Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass-Through Entity	
Identifying Number:	99-PF-11 and 98-PF-01
Award Years:	2001 and 2000
Questioned Costs:	Not Applicable

Federal Grantor: U.S. Department of Justice
Pass Through Grantor: State Department of Public Safety
Federal CFDA Number: 16.523
Program Title: Juvenile Accountability Incentive Block Grant
Pass-Through Entity
Identifying Number: 98-JAIBG-CB-001
Award Year: 2000
Questioned Costs: Not Applicable

Adair County has not established cash management procedures to ensure the minimum time elapses between its receipt of federal project monies and the distribution of such monies to contractors. The County Commission makes payments to contractors subsequent to receiving the reimbursement.

The county contracted with the Department of Public Safety to construct a Juvenile Justice Center under the Juvenile Accountability Incentive Block Grant. We noted reimbursements of \$42,670, \$19,594, and \$56,208 were held for 31 days, 22 days, and 10 days respectively, before the related payments were made to the contractors.

In addition, we noted a reimbursement of \$42,722 from the Department of Economic Development, under the Community Development Block Grant program, which was held for six days before disbursement.

Section 6.2.2 of the Cash Management Improvement Act Agreement between the State of Missouri and the Secretary of the Treasury, United States Department of the Treasury, states that funds shall be requested such that they are received not more than two days prior to the disbursement of those funds.

Non-compliance with the Cash Management Improvement Act with regard to timely disbursement of federal funds could result in future reductions of those funds.

WE RECOMMEND the County Commission establish procedures to minimize the time elapsed between the receipt of federal funds and the disbursement of such funds.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission will establish procedures to minimize the time lapsed between the receipt of federal funds and the disbursement of such funds.

01-4.

Suspension and Debarment Compliance

Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	State Department of Public Safety
Federal CFDA Number:	16.523
Program Title:	Juvenile Accountability Incentive Block Grant
Pass-Through Entity	
Identifying Number:	98-JAIGBG-CB-001
Award Year:	2000
Questioned Costs:	Not Applicable

The Adair County Commission entered into contractual agreements with various contractors to build a new juvenile justice detention center. The County Commission did not require contractors to certify that they had not been suspended or debarred.

28 CFR 67.225 requires that an award must not be made to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal Assistance. This requirement applies to all contractors and all subrecipients. Controls must be established to obtain suspension and debarment certifications from parties to ensure compliance with the federal guidelines.

WE RECOMMEND the County Commissioner obtain certifications from parties awarded contracts that the organization and its principals are not suspended or debarred.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission complied with this requirement for the county's other federal projects and will ensure compliance with all future projects.

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

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

The prior audit report issued for the two years ended December 31, 1999, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

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

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

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

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

The prior audit report issued for the two years ended December 31, 1999, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

ADAIR COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Adair County, Missouri, as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated April 11, 2002. We also have audited the compliance of Adair County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2001 and 2000, and have issued our report thereon dated April 11, 2002.

We also have audited the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable legal provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Adair County but do not meet

the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. County Financial Condition

Although the General Revenue Fund cash balance at December 31, 2001, had increased \$321,703 since December 31, 1999, the county estimates it will deplete approximately \$214,000 of the cash balance during the year ended December 31, 2002, with increased obligations which are likely to be recurring. Adair County's General Revenue Fund's cash balance is estimated to decrease from \$348,207 at December 31, 2001, to \$134,276 at December 31, 2002. During the year ended December 31, 2001, \$1,745,765 was disbursed from the General Revenue Fund; however, the 2002 budget reflects anticipated expenditures of \$2,117,550. This is an anticipated increase in disbursements of \$371,785, while revenues are anticipated to increase only \$49,939. During our review we noted the following significant potential obligations the county should consider when evaluating the General Revenue Fund's financial condition:

- 1) Although the county established a Law Enforcement Sales Tax Fund in 1997, it appears the taxes collected are not sufficient to cover the cost of law enforcement operations related to the sheriff's department and jail. The 2002 General Revenue Fund budget reflects an increase of approximately \$125,000 over the amount funded during the years ended December 31, 2001 and 2000, to cover the costs of law enforcement operations.
- 2) The County Commission increased the county's potential liability for the year ended December 31, 2002, under the self-funded insurance plan by \$250,000 by increasing the cap on aggregate claims to be paid by the county (See MAR No 5). The County Commission has not budgeted this increased potential liability, and as a result, it is not included in the anticipated expenditures noted above.
- 3) In December 1999 the City of Kirksville approved a tax increment finance district (TIF) which is funded, in part, by sales tax revenues. In June 2002 the county received a bill from the city for \$14,459 for the TIF's share of county sales tax revenues for 2001 and 2000. The county has some questions related to the TIF and it is uncertain what the long-term financial impact to the county will be.

In addition, significant increases were budgeted in 2002 for several other expenditure categories.

With continuing increased demands on the General Revenue Fund, it is essential that the county consider all potential liabilities and revenue sources when preparing the budget in an effort to increase the effectiveness of the budget as a management tool. In addition, the County Commission should continue to review discretionary expenditures and efficiently use the resources available to the county.

WE RECOMMEND the County Commission closely monitor the county's financial condition and budget as effectively as possible.

AUDITEE'S RESPONSE

The County Commission appreciates the information provided by the auditors and it will utilize the information in future decisions. In addition, the County Commission will continue to closely monitor the financial condition of the county.

2.

County Officials' Compensation

Salaries for most elected county officials increased significantly in January 1998.

Senate Bill No. 11 (SB 11), effective August 28, 1997, amended numerous statutory sections relating to the compensation of county officials, and including increases to the statutory maximum salaries allowed. As a part of this legislation, Section 50.333.13, RSMo, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of Section 50.333.13, RSMo. The Supreme Court held that this section of statute violated Article VII, section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term of office. This case, *Laclede County v. Douglass et al.*, holds that all raises given pursuant to this statute section are unconstitutional.

In a letter to the County Commission and County Clerk, dated January 6, 1998, the prior Prosecuting Attorney indicated, "Missouri Statute Sec. 50.333.7, RSMo, SPECIFICALLY authorizes the action taken for increased remuneration to elected officials starting January 1, 1998".

In 1998 Adair County's Associate County Commissioners salaries were increased \$7,060. The Adair County Salary Commission minutes did not specifically address the issue of mid-term raises for the associate county commissioners in 1997. The 1995 and 1997 salary commission minutes set all Adair County officials' salaries at 100 percent of maximum salaries allowed by state law. However, by using the salary schedules from the 1998 statutes (those changed by SB 11), mid-term raises were in effect granted to county elected officials. Increases for other elected officials ranged from \$5,500 to \$12,000; however, some offices began a new term in 1999 and the salary increase for those officials is in question for only one year.

Based on the Supreme Court decision, the raises given to the Associate County Commissioners for the three years ended December 31, 2000, should be repaid. In addition,

in light of the Supreme Court ruling, raises given to officials within their term of office should be re-evaluated for propriety.

In July 2001, the County Commission mailed letters to the former Associate Commissioners advising them of the Supreme Court ruling and stating they each had been overpaid a total of \$21,180 during the three years ended December 31, 2000. The County Clerk indicated he has no record of a formal response from the former Associate County Commissioners.

WE RECOMMEND the County Commission review the impact of this court decision and develop a plan for obtaining repayment of any salary overpayments.

AUDITEE'S RESPONSE

The County Commission will review the situation and give consideration to the recommendation.

3. County Expenditures

- A. Billing statements were not always reconciled to invoices prior to payment nor did the County Clerk's office check the expenditure system to ensure payment had not already been made. As a result, the county made duplicate payments on several invoices totaling approximately \$39,800, during the year ended December 31, 2001. Some vendors returned the checks issued by the county while other vendors issued a refund check to the county. There is no assurance that all duplicate payments have been identified. In addition, numerous checks, totaling approximately \$77,600, were voided prior to issuance because the checks were either made payable to the wrong vendor, made payable for the wrong amount, or because the county had a credit balance with the vendor, during the year ended December 31, 2001. To prevent duplicate payment, and to reduce voided checks, billing statements should be reconciled to invoices prior to payment and the expenditure system should be checked to ensure payment has not already been made.
- B. Adequate documentation was not required by the County Commission prior to approving expenditures. During March 2001, the County Commissioners approved a \$9,645 payment without an invoice as supporting documentation. Written documentation supplied by the vendor, dated May 18, 2001, indicated the check had been returned to the county due to the payment being made in error. However, the county again mailed the check to the vendor insisting that the payment was correct. It was not until we questioned the expenditure that the matter was investigated and the monies were refunded to the county.

WE RECOMMEND:

- A. The County Commission and County Clerk ensure payments and billing statements are supported by original invoices.

- B. The County Commission and County Clerk ensure adequate documentation is obtained and reviewed prior to payment.

AUDITEE'S RESPONSE

A&B. The County Commission and County Clerk indicated great improvements have been made in the last eighteen months, and they will continue to comply with the recommendations.

4.

Budgetary Practices

- A. The County Commission does not adequately monitor the status of budgeted expenditure categories. We noted one instance in which the County failed to pay for leased office space for twenty-nine months. The County Commission continued to appropriate funds for the office space in the 2002 and 2001 budgets even though county records did not reflect actual expenditures in 2001 and 2000 and apparently did not follow up on the status of this obligation. It wasn't until invoices, totaling \$14,957, were received in March 2002 that the County Commission realized the rent had not been paid since August 1999.

Failure to monitor budget categories reduces the effectiveness of the budget as a management tool.

- B. Deficiencies were noted in the information presented in the budgets prepared by the County Clerk and approved by the County Commission. The 2001 revised budgets for the Family Advocate Center Fund, Juvenile Grant Operations Fund, and Neglected and Delinquent Children Fund classified all expenditures as "other" rather than including more specific expenditure categories. The 2001 revised budgets for the Family Advocate Center Fund and Neglected and Delinquent Children Funds classified revenues as "other" rather than including more specific revenue categories. The 2001 Law Enforcement Construction Fund budget classified \$1.2 million as miscellaneous expenses, rather than construction cost.

Failure to present detailed financial information decreases the effectiveness of the budget as a management tool.

- C. The 2002 and 2001 budget documents submitted to the State Auditor's office did not include a budget message prepared by the County Clerk. Considering the conditions previously noted, a detailed budget message is of even greater importance. In addition, Section 50.590, RSMo 2000, states that the budget document shall include a budget message outlining the fiscal policy of the government for the budget year and should describe important features of the budget and information regarding significant future plans.

To be of maximum benefit to the county and its taxpayers, a complete and detailed budget message is needed.

WE RECOMMEND:

- A. The County Commission adequately monitor the status of budgetary categories and investigate unusual variances.
- B. The County Commission ensure that all financial information is presented in a complete and accurate manner.
- C. The County Clerk prepare a budget message to include in the consolidated budget which outlines the county's fiscal policy and describes important features of the budget, as well as information regarding significant future plans.

AUDITEE'S RESPONSE

- A. *The referenced lease agreement required the lessor to submit monthly billing statements, which he failed to do. However, the failure of the County Commission and the County Clerk to notice the lack of rental payments was an oversight, and the County Commission and the County Clerk will strive to avoid such mistakes in the future.*
- B. *The County Commission made a concerted effort in the 2002 budget to begin the consolidation of several funds and to reduce the amount of budgeted expenditures in "other" or "miscellaneous" accounts within the various funds, particularly the General Revenue Fund. The referenced mistake in the 2001 Law Enforcement Construction Fund budget was caused by a clerical error. The amount of \$1.2 million for "Construction Costs" was inadvertently placed on the succeeding line for "Miscellaneous" expenditures. The County Commission and the County Clerk will strive to ensure that all financial information is presented in a complete and accurate manner.*
- C. *The County Clerk will implement the recommendation for the 2003 budget.*

5.

Self-Funded Health Insurance Plan

Effective January 2001, the County Commission adopted a self-funded health insurance plan as a means of providing insurance benefits to county employees. Our review of the self-funded health insurance plan revealed the following concerns:

- A. The County Commission did not perform a formal cost/benefit analysis comparing the benefits and costs of a self-funded insurance plan compared to a conventional plan. In addition, the Presiding Commissioner indicated that employees' claims history could not be evaluated because the previous insurer refused to release claims history records. However, the previous standard insurance carrier apparently

declined to submit a proposal due to a poor claims history. By ignoring the standard insurance carrier's refusal to insure, it appears the County Commissioners placed the county at a greater financial risk by adopting a self-funded health insurance plan. Formal cost/benefit analyses are necessary to enable the County Commission to make informed decisions and ensure the economical use of county resources.

- B. The Self Funded Health Insurance Fund has not been sufficiently funded. The County Commission transferred approximately \$5,200 in start-up money from the General Revenue Fund and budgeted a monthly amount for each employee to be transferred to the Self Funded Health Insurance Fund from the appropriate funds. The transfer was to cover the monthly employee premium for secondary insurance and administrative fees, as well as any claims filed. According to the health insurance plan, the county was responsible for the first \$15,000 in claims per employee, or an aggregate of \$150,000 before the secondary insurance carrier was responsible for the claims.

Premiums, administrative fees, and claims filed exceeded the available resources of the Self-Insurance Fund by approximately \$41,000 during the year ended December 31, 2001. On December 31, 2001, the County Commission ordered a \$16,000 transfer from the General Revenue Fund to the Self Funded Health Insurance Fund, to aid in the payment of health insurance claims filed during December 2001. However, the Self Funded Health Insurance Fund had a balance of only \$391 at December 31, 2001 with liabilities of approximately \$25,000 resulting from five claims which had been filed on December 17, 2001.

By failing to sufficiently fund the self-funded insurance plan, resulting in unplanned transfers from the General Revenue Fund, the county commission reduces its' ability to effectively manage county resources.

- C. Although the county suffered financial hardship in the first year of adopting a self-funded health insurance plan, they chose to renew the plan in the current year without soliciting bids for other coverage.

Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder.

- D. Although county records indicate that claims filed during the first year of the plan exceeded \$183,000, the County Commission budgeted only \$151,000 for claims and pharmacy expenses for the year ended December 31, 2002. In addition, the potential liability to the county significantly increased since the aggregate claims the county is responsible for in 2002 increased to \$400,000.

Prior to the end of the first quarter, the County Commission ordered a transfer of \$120,000 from the General Revenue Fund to the Self Funded Health Insurance Fund

to pay December 2001 and January and February 2002 claims. The County Commission anticipates receiving reimbursement for the claims which exceeded the county's individual and/or aggregate responsibility; however, the County Commission was unable to determine the amount of the reimbursement.

WE RECOMMEND the County Commission reevaluate the Self-Funded Health Insurance Plan and consider the potential financial impact on the county's resources. If, after performing a cost benefit analysis, it is determined that a Self Funded Health Insurance Plan is cost effective, the County Commission should ensure that the Self Funded Health Insurance Fund is sufficiently funded and budgeted to cover the costs of premiums, fees, and claims and to consider the cash flow requirements of payments and related reimbursements.

AUDITEE'S RESPONSE

The County Commission is currently exploring other avenues of obtaining health insurance.

6. General Fixed Asset Records and Procedures
--

A. A review of the general fixed asset records revealed the following concerns:

- The County Clerk does not periodically reconcile equipment purchases with additions to the fixed asset records. Fixed asset purchases of approximately \$40,000 had not been recorded on the property records at the time of our review. Performing this reconciliation would help ensure that all purchases have been properly added to the fixed asset records.
- The County Clerk does not prepare a summary of changes in general fixed assets at each year-end reconciling beginning balances, additions, and deletions.
- Property tags are not placed upon some general fixed asset items. We noted one instance in which the property tag had been affixed to the invoice instead of the property. Property control tags should be affixed to all fixed asset items to help improve accountability over these items and help ensure that assets are not lost or stolen.

Adequate general fixed asset records and procedures are necessary to meet statutory requirements, secure better internal controls over county property, and provide a basis for determining proper insurance coverage of county property. Inventories of county property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets.

Section 49.093, RSMo 2000, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an

individual original value of \$250 or more and any property with an aggregate original value of \$1000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk.

- B. Vehicle logs are not maintained in some county-owned vehicles. Vehicle logs should be maintained which document the date, destination, purpose of trip, odometer readings, and the employee driving the vehicle. Without adequate vehicle logs, the County Commission cannot effectively monitor the use of county owned vehicles.

Similar conditions were noted in our prior two audit reports.

WE RECOMMEND:

- A. The County Clerk reconcile equipment purchases to the fixed asset records and record all property items costing in excess of \$250. A summary of beginning balances, additions, and deletions of general fixed assets should be prepared at each year-end. Property control tags should be affixed to all fixed assets immediately upon receipt.
- B. The County Commission ensure usage logs are maintained for all county vehicles.

AUDITEE'S RESPONSE

- A. *The County Clerk is currently implementing this recommendation. The county has purchased a general fixed assets software program for the inventory system, and additional efforts will be made to keep the inventory up to date.*
- B. *The County Commission will strive to comply with this recommendation.*

7. Personnel Policies and Procedures

During our review of payroll records we noted the following concerns:

- A. Not all departments are preparing and submitting time sheets to the County Clerk on a timely basis. Although the employee handbook states that every employee of Adair County will submit an approved time sheet to the County Clerk, the Road and Bridge department submits an exception report once a year, which reflects leave taken and the Sheriff's department submits time sheets sporadically. Time sheets should be submitted to the County Clerk's office by all employees to provide supporting documentation and additional assurance to the County Commission that payroll expenditures are valid and proper.

The Fair Labor Standards Act (FLSA) requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid. The time records should be prepared by the employee, approved by the applicable supervisor, and filed with the County Clerk.

- B. The County Clerk does not maintain detailed records of vacation or sick leave earned, taken, or accumulated. The County Clerk indicated leave records are to be maintained by each individual office but our review noted some offices are not maintaining these records. We noted one instance in which a Sheriff department employee was paid for 130 hours of vacation leave without records to support the payment.

Without centralized and complete leave records, the County Commission cannot ensure that employee's annual and sick leave balances are accurate, that all employees are treated equitably, and that leave time used does not exceed leave time earned and accumulated. Centralized leave records also aid in determining final pay for employees leaving county employment.

WE RECOMMEND the County Commission:

- A. Require all county employees to complete time sheets which report actual hours worked. The records should be prepared by employees, approved by the applicable supervisor, and filed with the County Clerk.
- B. Ensure a balance of leave accumulated and taken for each employee is maintained by the County Clerk.

AUDITEE'S RESPONSE

- A. *The County Commission will comply with the recommendation. The County Commission has sent a letter to all county officials and department heads stressing the importance of submitting time sheets to the County Clerk's Office. The letter states that paychecks will be held until time sheets can be reviewed. The County Clerk indicated the withholding of paychecks is a decision to be made by the County Commission and he will cooperate only with a written order from the County Commission.*
- B. *The County Commission and County Clerk will strive to comply with the recommendation.*

8. Property Tax Controls

- A. The County Clerk does not prepare the current or back tax books. The County Collector enters the tax rates, which are obtained from the County Clerk, and extends and prints the current tax books. The County Collector also generates the back tax books. Further, the County Clerk does not verify the current and back tax books for

accuracy. A review should include verification of individual entries in the back tax book and summing the total tax book charges. The County Clerk is responsible for the accuracy of the personal and real estate tax books and the amounts with which the County Collector is charged.

Sections 137.290 and 140.050, RSMo 2000, require the County Clerk to extend tax books and charge the County Collector with the whole amount of the current tax books and aggregate amount of taxes, interest, and clerk's fees contained in the back tax books. The procedures outlined in the statutes for the preparation of the tax books provide for the separation of duties and acts as a form of checks and balances on the Assessor, County Clerk, and County Collector. Failure of the County Clerk to prepare the tax books as required by statutes, or to adequately review the tax books for accuracy, may result in errors and irregularities going undetected.

- B. The County Clerk does not maintain an account book with the County Collector. As a result, the County Collector's annual settlements cannot be adequately reviewed and errors could go undetected. An account book would summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts by tax book. These amounts could then be verified by the County Clerk from aggregate abstracts, tax books, court orders, monthly collection reports, and totals of all charges and credits. These verifications are the County Clerk's means of ensuring the amount of taxes charged to the County Collector and reported credits are complete and accurate.

Section 51.150.2, RSMo 2000, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. A properly maintained account book would enable the County Clerk and County Commission to verify the County Collector's annual settlements.

- C. Controls over property tax additions and abatements are not adequate. The County Collector makes changes to the tax books after receiving information from the County Assessor for additions and abatements occurring throughout the month. The County Clerk is responsible for preparing court orders for additions and abatements to be approved by the County Commission. The court orders are approved by the County Commission on a monthly basis; however, there is no subsequent comparison of approved court-ordered additions and abatements to actual changes to the property tax data files or to amounts reflected on the County Collector's annual settlement. As a result, errors in the County Collector's annual settlements could go undetected.

The County Commission, in allowing the County Collector to make changes to the property tax books and also collect the taxes, is weakening controls over the collection of taxes by preventing proper segregation of duties from occurring. Furthermore, Section 137.260, RSMo 2000, requires that the tax book only be changed by the Clerk of the County Commission under order of the County Commission. Controls should be established so that the County Clerk periodically

reconciles all additions and abatements to changes made to the property tax data files, as well as reconcile the total additions and abatements to the Collector's annual settlement.

- D. The County Collector and the county contract to collect taxes on behalf of various cities in the county. Most of these contracts have been in effect for several years. The County Collector and county receive a fee of 1½ percent and 1 percent, respectively, withheld from all taxes collected. In addition, the County Collector receives a penalty charge of 5 percent on delinquent taxes collected from the taxpayers.

The contracts provide for the County Collector to receive a 5 percent penalty on delinquent taxes as prescribed by law. We contacted the City of Kirksville and were informed there is no city ordinance authorizing the 5 percent penalty collected on delinquent taxes. There is a resolution authorizing the agreement, which provides the 2 ½ percent payment to the county; however, there is no mention in the resolution of the 5 percent penalty on delinquent taxes. The County Collector personally retains these penalties and collected approximately \$2,000 and \$1,300, for fiscal years 2001 and 2000, respectively. Any add on fee or penalty charged to taxpayers must be based on state law and city ordinance or resolution.

WE RECOMMEND:

- A. The County Clerk prepare the current and back tax books or at least perform an adequate verification of the accuracy of the tax books and document such verification.
- B. The County Clerk maintain an account book with the County Collector in accordance with statute.
- C. The County Commission revise the addition/abatement process so that the County Collector does not have the capability to make changes to property tax data or ensure that independent comparisons of these changes to tax data files are performed along with a subsequent verification with the County Collector's annual settlement.
- D. The County Commission and the County Collector ensure the penalties on city taxes are collected and distributed in accordance with state law and city ordinances or resolutions.

AUDITEE'S RESPONSE

- A. *The County Clerk has spoken with other county clerks about these procedures and is working to rectify this situation.*

- B. *The County Clerk will maintain an account book with the County Collector beginning March 1, 2003.*
- C. *The County Commission will work with the County Collector to comply with the recommendation.*
- D. *The County Commission and the County Collector believe that the city taxes were properly collected and distributed under the agreements with the various cities. The County Commission will work with the County Collector to assure the referenced agreements are in compliance with state law and the applicable city ordinances.*

The County Collector indicated that the consolidated tax billing and collection agreement entered into on February 20, 1995, by and between the City of Kirksville, the Adair County Collector, and the Adair County Commission is very specific as to fees to be retained by all parties. The agreement, which was signed in good faith by all parties, specifically allows for county retention of 1 percent for County General Revenue, 1 percent for the County Assessment Fund, and 1 ½ to the Adair County Collector. Additionally, collection of a late payment penalty charge of 5 percent is authorized in the agreement on city taxes only with the fee to be retained by the Adair County Collector of Revenue as part of the overall compensation allowed under the agreement.

The County Collector indicated that county collectors are not elected to collect city tax dollars and any agreement reached between the County Collector, the County and a City that provides for collection services that is agreeable and lawful should be considered valid. This fee is not the same fee collected by county collectors on late payment of county taxes. The terminology "as prescribed by law" found in the consolidated tax billing and collection agreement refers to city law and/or city ordinance or resolution. The ratification of this agreement by city officials implies that collection of a 5 percent late penalty is authorized and intended. A written statement can be obtained, if needed, from the City of Kirksville as to the intent and distribution of the 5 percent fee collected on delinquent city taxes. The County Commission has already approved the intended distribution of the 5 percent fee collected on delinquent city taxes as evidenced by ratification of the referenced agreement. The authorization that allows cities to enter into negotiated agreements with county collectors and county commissions for consolidated collection of city taxes on the county tax bill creates tremendous cost savings for the cities.

The County Collector will continue operating under the lawfully signed agreement with notification to the city to correct any legal issues which authorize the 5 percent penalty allowed for in the agreement. The County Collector desires for his office to be in full compliance with all state laws.

The Recorder of Deeds distributed approximately \$18,600 in excess fees to the County Treasurer during the four years ended December 31, 2001, resulting in a shortage in the official bank account. In addition, interest and copy monies of approximately \$1,400 and \$7,200, respectively, were not distributed to the General Revenue Fund during the four years ended December 31, 2001. These errors occurred as a result of the following control weaknesses:

- A. The Children's Trust Fund and Domestic Violence Fund fees, collected as part of marriage license fees, were properly distributed to those respective funds; however, these fees were also distributed to the General Revenue Fund. A monthly worksheet is prepared, which is used to calculate distributions of monies collected. The amounts due to various funds are calculated and deducted from total collections to arrive at the amount due to the General Revenue Fund. However, the amounts distributed to the Children's Trust Fund and Domestic Violence Fund were not deducted in the calculation of the amount due to the General Revenue Fund, and as a result, these fees were distributed twice. This situation began in 1998 and was not identified until we brought it to the Recorder of Deed's attention.
- B. Copy monies and interest earned received are not recorded in the fee book. In addition to fees for recording documents, the Recorder of Deeds collects copy fees from abstract companies and the general public. When copy monies are received from abstract companies, a separate deposit is prepared. Copy monies received from the general public are held in a cash box until month-end.

The fee book is the only record of monies received by the office and is used to prepare the month-end distribution worksheet. Failure to record all monies received increases the risk that errors, loss, or misappropriation of funds will not be identified in a timely manner. In addition, Section 59.250, RSMo 2000, requires the Recorder of Deeds to keep a full account of all fees of every kind received.

- C. Monthly bank reconciliations are not performed and a checkbook balance is not maintained. Accurate and complete bank reconciliations are necessary to ensure that all monies are properly deposited, accounting records are in agreement with the bank, and errors or discrepancies are detected on a timely basis. Had bank reconciliations been performed, the errors in distributions noted above would have been identified on a timely basis. In addition, a balance should be maintained in the check register to allow for proper reconciliations with the bank statements.

- D. Accounting and bookkeeping duties are not adequately segregated. While all clerks in the office receive monies, the Deputy Recorder has the authority to make deposits and is responsible for preparing the monthly disbursement checks, which are signed by the Recorder of Deeds. There is no indication the work performed by the Deputy Recorder is reviewed by the Recorder of Deeds.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation cannot be achieved, the Recorder of Deeds should at least compare bank deposits with recorded receipts and review monthly bank reconciliations.

- E. As noted in the prior two audits, the Recorder of Deeds did not deposit receipts intact. We noted that refunds were made from cash on hand, instead of by check. Depositing receipts intact and issuing refunds by check are necessary to ensure the proper accounting of all receipts and disbursements.

WE RECOMMEND the Recorder of Deeds:

- A. Ensure monthly distributions of fees are accurately calculated and distributed.
- B. Ensure that all fees and monies received by the office are properly recorded in the fee book.
- C. Maintain a balance in the check register and prepare monthly bank reconciliations. In addition, the Recorder of Deeds should determine the actual amounts due from and/or to county funds and make the appropriate adjustments.
- D. Adequately segregate accounting and bookkeeping duties to the extent possible. At minimum, the Recorder of Deeds should perform documented reviews of the work performed.
- E. Deposit all monies received intact and issue checks for all refunds.

AUDITEE'S RESPONSE

The Recorder indicated:

- A. *The monthly worksheets are being revamped to assure proper distribution.*
- B. *Copy monies and interest earned are now being recorded in separate ledgers.*
- C. *Monthly bank reconciliations are now being done according to general accounting practices. While there was no suggestion that any monies were missing, the Recorder is reviewing the manner to zero balance with General Revenue.*

- D. *He is now reviewing fiscal practices being handled by the staff.*
- E. *He is reviewing the practice of refunds by check versus cash.*

10. Prosecuting Attorney's Plea Bargain Controls and Procedures
--

The Prosecuting Attorney has the authority to decide which criminal cases to prosecute or dispose of, and may also enter into plea bargains and make recommendations to the judge for suspended imposition of sentence. For some cases the Prosecuting Attorney requires the defendant to make a "donation" as a condition of disposing of the case or entering into a plea bargain. During our review of procedures related to donations we noted the following:

- A. The Prosecuting Attorney distributes the donations to local school organizations such as the parents teacher organization and booster clubs. By accepting the donations, it is possible that fines and penalties which may otherwise have been assessed and credited to the county school fund were not collected and distributed in accordance with an established formula designed to benefit all schools within the county.

Article IX, Section 7 of the Missouri Constitution states that the proceeds of all penalties, forfeitures and fines are to be distributed to the county school fund maintained by the state.

- B. There are no guidelines established for how donation amounts are determined. The Prosecuting Attorney indicated the amount of the donation is determined on a case by case basis and is based on the nature of the crime and the financial position of the defendant, or the defendant's family.

By determining the donation amount on a case by case basis there is less assurance that misappropriation of funds will be detected on a timely basis.

- C. The Prosecuting Attorney does not maintain sufficient records of donations. When a donation is part of the plea agreement, the defendant is allowed to make payment directly to the organization chosen by the Prosecuting Attorney, or to the Prosecuting Attorney, who then disburses it to the organization. Although the Prosecuting Attorney indicated this practice has occurred since he took office in 1999, only a partial listing of donations that were made in 2001, totaling approximately \$7,400, was maintained. The listing included only those donations that were deposited into the Prosecuting Attorney's checking account. Donations made directly to organizations were not included on the listing.

Failure to record all donations reduces accountability and increases the risk that misappropriation of funds will not be identified in a timely manner.

- D. The Prosecuting Attorney does not make the judge aware of the donation when presenting the plea bargain to the court.

Opinion 176 issued by the Judicial Commission on Retirement, Removal and Discipline, states, "Even though the judge does not impose a charitable or civic payment as part of a sentence or condition of probation, when the judge knows such a payment is a pre-condition to receiving the recommendation, the appearance of a 'payoff' remains. The judge has the obligation to review the plea agreement and exercise discretion in a manner so as not to create the appearance of a 'payoff'. The judge should not approve such a plea bargain absent an ordinance, statute or constitutional provision authorizing such payments."

The Associate Circuit Judge indicated she would have to remove herself from a case if she became aware that a donation was a stipulation of the plea bargain. Given this, the Prosecuting Attorney and Associate Circuit Judge should reevaluate whether these circumstances allow the judge to make an informed decision or whether this practice should be discontinued.

WE RECOMMEND the Prosecuting Attorney and Associate Circuit Judge determine whether requiring donations as part of a plea bargain is acceptable. If this practice is continued the Prosecuting Attorney and Associate Circuit Judge should reevaluate the distribution of these funds. In addition, guidelines for determining donation amounts should be established and a complete and accurate record of all donations should be maintained.

AUDITEE'S RESPONSE

The Associate Circuit Judge stated, "It has always been my position that it is a violation of the Code of Judicial Conduct for a judge to accept a plea bargain that contains a "donation" as part of it. Opinion #176 of the Commission on Retirement, Removal and Discipline specifically states, "The judge should not approve such a plea bargain absent an ordinance, statute or constitutional provision authorizing such payment." There are no such ordinances, statutes or constitutional provisions. Therefore, in the past I have refused to accept such plea agreements made by the Prosecuting Attorney and will continue to do so in the future."

The Prosecuting Attorney stated, "First, I decided to do this after learning about similar programs from other prosecutors over the state. It was and is my purpose in doing this to punish defendants who obtained a favorable disposition, i.e. one that did not involve a conviction, as I believed that they would not appreciate the wrongfulness of their acts without some sort of monetary punishment. I decided to have the funds paid to school related organizations so that there would not appear to be favoritism between benevolent organizations and if a fine could have been imposed it would go to the school fund. I further decided to have the funds paid to school related organizations such as the PTO or booster clubs because, if the funds went directly to the school fund, the Department of Secondary Education at Jefferson City, most likely would deduct 100% of the payments from the monies our local schools received from the state, pursuant to section 163.031.2, RSMo. (Which states in part: "From the district entitlement for each district there shall be deducted the following

amounts...one hundred percent of the amount received the previous year for school purposes from...fines, forfeitures and escheats..."). By paying the funds to organizations that supported the schools in our county, the children would receive benefits in addition to what the schools could afford and the State of Missouri would not take the funds away from our children and give them to school districts in St. Louis or Kansas City.

You are correct that there were no "standard" donation amounts, as I believed that the punishment should fit the crime and what may be punishment for one person may be impossible for another. The purpose of the donation was to show the defendant the error of his ways and make him think before he did that act again, not to break him financially. In hindsight, standards would have allowed you to be more comfortable and should have been done, although I trust my judgment.

You cite an opinion, number 176, issued by the Judicial Commission on Retirement, Removal and Discipline to indicate that the judge should not approve such an arrangement unless authorized by statute. I would point out to you Section 559.021, RSMo which allows for a judge to order such conditions of probation as the court believes will serve to compensate the victim, any dependant or society. That has been deemed by the state Attorney General in opinion No. 42-88, Perry, 3-9-88 to allow a judge to order as a condition of probation payment of a sum of money to be used for law enforcement purposes and Section 50.550, RSMo., authorizes the county commission to create a fund in the county treasury for this purpose. It appears to me that such a measure would be deemed more of a "payoff" as law enforcement and the prosecutor's office would receive direct benefit from that system, whereas a donation to school related organizations would not allow for direct benefits to either my office or law enforcement, but place the monies in a position to support the schools, which is the purpose of fines and forfeitures.

Based upon your suggestions, I intend to discontinue this program until legislation is passed to allow the ability to fine individuals that receive suspended impositions of sentence. Such legislation was submitted this legislative session but was not passed. I assume it will be filed again next session and I will do what I can to obtain its passage."

AUDITOR'S COMMENT

Attorney General Opinion No. 42, 1988 to Perry had been withdrawn in September 1998, prior to the issuance of Opinion No. 176.

11. Prosecuting Attorney's Controls and Procedures

The Prosecuting Attorney's office collects bad check monies and fees, delinquent tax payments for the state, contributions for plea bargains, and restitution. During our review of the Prosecuting Attorney's controls and procedures related to the handling of these monies, we noted the following concerns:

- A. Accounting and bookkeeping duties are not adequately segregated. While all of the clerks in the office receipt monies, one clerk is responsible for making deposits and disbursements. There is no indication the work performed by this clerk is reviewed by the Prosecuting Attorney.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation cannot be achieved, the Prosecuting Attorney should at least compare bank deposits with recorded receipts and review monthly bank reconciliations. Proper supervision by the Prosecuting Attorney and documented reviews help ensure that financial records are properly maintained and errors are detected on a timely basis.

- B. Monthly bank reconciliations have not been performed for the bank accounts maintained by the Prosecuting Attorney since he took office in January 1999. In addition, checkbook balances are not maintained. Accurate and complete bank reconciliations are necessary to ensure that all monies are properly deposited, accounting records are in agreement with the bank, and errors or discrepancies are detected on a timely basis. In addition, a balance should be maintained in the check register to allow for proper reconciliations with the bank statements.
- C. Monthly listings of open items (liabilities) are not prepared and consequently, liabilities are not reconciled with cash balances. Preparation of monthly open items listings, in conjunction with reconciliations to book and bank balances, is necessary for the Prosecuting Attorney to ensure sufficient assets exist to cover liabilities and allow for timely correction of errors. At December 31, 2001, bank balances for the Tax, Bad Check, and Miscellaneous accounts were \$1,010, \$5,370, and \$2,835, respectively.
- D. Although receipt slips are issued for all monies received, redi-form receipts slips are issued rather than official, pre-numbered receipt slips. Redi-form receipt slips may be purchased at any retail outlet where office supplies are sold and, as a result, duplicate receipt slip numbers may be purchased. Official prenumbered receipt slips would be purchased in sequential order and, as a result, there would more assurance that all receipt slips could be accounted for.

To ensure all monies are properly handled, official, pre-numbered receipt slips should be issued for all monies received.

- E. Money orders and cashier's checks that are payable to the Prosecuting Attorney are not restrictively endorsed immediately upon receipt. The money orders and cashier's checks are endorsed just prior to making a deposit. In addition, receipts are not always deposited on a timely basis. Receipts are normally deposited about once a week. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, money orders and cashier's checks should be restrictively endorsed immediately upon receipt and all monies should be deposited daily or when accumulated receipts exceed \$100.
- F. The Prosecuting Attorney and his employees who handle monies are not bonded. As a means of safeguarding assets and reducing the county's risk if a misappropriation of funds would occur, all employees handling monies should be adequately bonded.

WE RECOMMEND the Prosecuting Attorney:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented reviews of the work performed.
- B. Maintain a balance in the check register and prepare monthly bank reconciliations.
- C. Prepare a listing of open items on a monthly basis and reconcile the listing to bank and book balances.
- D. Obtain and issue official pre-numbered receipt slips for all monies received.
- E. Restrictively endorse all money orders and cashier's checks received immediately upon receipt. In addition, monies should be deposited daily or when accumulated receipts exceed \$100.
- F. Acquire a bond for all employees handling assets.

AUDITEE'S RESPONSE

The Prosecuting Attorney indicated:

- A. *When he came into this office one person collected the money, kept track of the money and deposited the money. He has attempted to divide the duties as best as possible so no one person does all of those tasks. He will continue to further segregate the duties as much as possible within the constraints of his budget.*
- B
&C. *He is in the process of installing bad check and restitution software, which should make the tasks of balancing checkbooks, reconciliations and open items lists easier and faster to perform. The Prosecuting attorney is hopeful that the computer system will allow the*

secretarial staff to perform the tasks suggested and keep up with their duties to support the prosecution of criminals. The Prosecuting Attorney will also do his best to review the books once a month. The Prosecuting Attorney hired an accounting student this summer to balance the books from the beginning and he will continue to balance the checkbooks on a monthly basis and maintain the open items list. Hopefully, the new computer software will aid in this task.

- D. In the past, the State Auditor's Office suggested he use pre-numbered receipts, but did not make the requirement that they be "official". The Prosecuting Attorney has used pre-numbered receipts since he took office. It is the Prosecuting Attorney's understanding that the new computer software his office is installing will produce sequentially numbered receipts, with the office letterhead, which he assumes will satisfy the requirement that the receipt be "official". That program will be used for bad checks and restitution. The Prosecuting Attorney will order sequential receipts with his name and office on them for delinquent taxes and begin using them as soon as they can be printed.*
- E. He has already begun to restrictively endorse immediately upon receipt and will continue. His staff will do their best to make a deposit on a daily basis, and will do so barring any unforeseen problems.*
- F. There is no statutory requirement that any person in the Prosecuting Attorney's Office be bonded. The Prosecuting Attorney will request the funds to purchase a bond for each of his employees in such amounts as the County Commission deems necessary and will purchase bonds if the County Commission leaves those funds in his budget.*

12.

Sheriff's Records and Procedures

The Sheriff collects various criminal and civil fees, bonds, inmate monies, gun permit fees, and reimbursements for boarding and transporting prisoners. Our review of the Sheriff's records and procedures revealed the following concerns:

- A. With the exception of the inmate monies, the sheriff does not issue official prenumbered receipt slips for monies received, but instead issues rediform receipts. In addition, the method of payment received (cash, check, or money order) is not indicated on receipt slips issued.

Redi-form receipt slips may be purchased at any retail outlet where office supplies are sold and, as a result, duplicate receipt slip numbers may be purchased. Official prenumbered receipt slips would be purchased in sequential order and, as a result, there would more assurance that all receipt slips could be accounted for. To adequately account for receipts, official prenumbered receipt slips should be issued for all receipts and the numerical sequence accounted for properly. The method of payment received should be recorded on all receipt slips, and the composition of receipt slips should be reconciled to the composition of bank deposits.

- B. Checks and money orders received are not restrictively endorsed immediately upon receipt. Instead, the endorsement is applied at the time the deposit is made. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- C. Receipts are not deposited on a timely basis. Deposits are made approximately six to seven times a month. During the month of November 2001 deposits averaged approximately \$2,600 for the fee account and \$700 for the inmate account. To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited daily or when accumulated receipts exceed \$100.
- D. Receipts are not posted to the cash control ledger on a timely basis. Receipts are recorded in the cash control ledger when the deposits are prepared. A complete and accurate cash control ledger is necessary to provide summarized financial information and facilitate reconciliations with bank accounts.

WE RECOMMEND the Sheriff:

- A. Issue official prenumbered receipt slips for all monies received and account for the numerical sequence on a monthly basis. The method of payment received should be indicated on all receipt slips and the composition of receipts slips should be reconciled to the composition of bank deposits.
- B. Restrictively endorse checks and money orders immediately upon receipt.
- C. Deposit receipts daily or when accumulated receipts exceed \$100.
- D. Post all receipts to the cash control ledger on a timely basis.

AUDITEE'S RESPONSE

The Sheriff indicated:

- A. *He is ordering one set of official receipt slips that are prenumbered, utilizing a pegboard system. These receipts will be issued to any individual making payment in person at the Sheriff's Office, such as gun permits, bonds, copies of accident reports, etc. These receipts will also be used to receipt funds received in the mail that are not logged as civil process such as inmate phone profits. The receipts will indicate the method of payment and can be reconciled with the bank deposits. Barring any unforeseen delays in printing, this should be accomplished no later than September 23, 2002. Civil process funds are logged on a computer system and a receipt will not be issued from this system since no receipts will be mailed back to the payor. Inmate funds will continue with the current receipting method.*
- B. *Checks and money orders are presently being restrictively endorsed upon receipt.*

- C. *Deposits are being made daily or when they exceed \$100.*
- D. *Receipts are being posted on a timely basis.*

13. Health Center Procedures

Our review of the controls and procedures related to the health center revealed the following concerns:

- A. As noted in the prior two audit reports, monies received by the health center are not deposited timely. The Health Center usually deposits receipts only twice a month. A cash count performed in December 2001 revealed that property taxes, checks received from the state, and other miscellaneous receipts totaling approximately \$54,000 was on hand. Some of the monies had been on hand for over two weeks. To properly safeguard all assets and to prevent possible loss or misuse of funds, bank deposits should be made daily or when accumulated receipts exceed \$100.
- B. The approved budget documents did not adequately project the anticipated balances of the Health Center Fund for two years ended December 31, 2001. The 2001 budget indicated a deficit balance of \$4,000 at year end, while the actual balance was \$391,232 and the 2000 budget indicated a zero balance at year end, while the actual balance was \$400,103. In addition, the 2002 budget reflects a zero estimated ending fund balance.

For the budget documents to be of maximum assistance to the Health Center Board of Trustees and to adequately inform county residents of the health center's operations and current financial balances, the budgets should accurately reflect resources on hand, reasonable estimates of receipts and disbursements, and the anticipated ending cash balances.

Although the Board of Trustees indicated in previous audits that they would try to establish a more efficient budgeting tool, no improvement has been noted.

WE AGAIN RECOMMEND the health center Board of Trustees:

- A. Deposit all monies received daily or when receipts exceed \$100.
- B. Ensure a more reasonable estimate of the health center's financial position is presented on the budget document.

AUDITEE'S RESPONSE

The Health Center Administrator indicated:

- A. *She will do her best to deposit more often.*
- B. *Although property taxes can be easily estimated, other revenues, such as medicare, are difficult to estimate because the revenues fluctuate in accordance with the number of client visits. However, she will try to estimate these revenues to the best of her ability. Also, the fund is zeroed out each year on the budget document so that reserves can be utilized if needed without having to amend the budget.*

AUDITOR'S COMMENT

- B. Budgeting the expenditure of all resources when not necessary reduces the effectiveness of the budget as a management tool and does not present a true picture to taxpayers of the health center's operations and anticipated financial condition.

This report is intended for the information of the management of Adair County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

ADAIR COUNTY, MISSOURI
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Adair County, Missouri, on findings in the Management Advisory Report (MAR) of our report issued for the three years ended December 31, 1997.

The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Jail Project

- A. The County Commission selected a lease purchase proposal for financing a new jail without adequately evaluating the proposal or completing a financial analysis of the proposals submitted.
- B. The County Commission authorized a payment of \$6,500 for a "construction management change order resulting from project delays,"; however, the related contract did not provide for additional payments for unseen delays. After this was brought to the County Commission's attention the county received a credit from the company.
- C. The county obtained \$225,000 of tax anticipation notes without properly bidding the financing of these notes.

Recommendation:

The County Commission:

- A. Reevaluate the financing proposals and ensure a complete financial analysis of the debt financing options currently available to the county.
- B. Ensure future disbursements related to the jail project comply with contractual obligations and apply the credit to future billings for construction management services.
- C. Solicit bids for future sales of tax anticipation notes in accordance with state law.

Status:

- A. Implemented. When the County Commission sought financing proposals for expanding the existing jail an analysis of the options available was performed.
- B. Implemented.

- C. Implemented. The County Commission solicited bids for the sale of certificates of participation used in financing the jail expansion project.

2. County Nursing Home

The County Commission solicited bids for the sale of the County Nursing Home without allowing potential bidders sufficient time to adequately respond to the advertisement and without publicizing the sale in industry publications.

Recommendation:

The County Commission allow sufficient time for bidders to respond, and consider advertising in industry publications in the future.

Status:

There was not a similar situation during the two years ended December 31, 2001. Sufficient time was allowed for the bids we reviewed.

3. Prisoner Board Expenses

- A. The County Commission entered into a contract with the wife of the chief jailer to provide meals to prisoners incarcerated in the Adair County Detention Center. The chief jailer prepared the housing and meal log for the Sheriff's office.
- B. The Sheriff's housing and meal logs did not indicate the number of meals served to each prisoner or the number of days incarcerated.

Recommendation:

The Sheriff:

- A. Ensure someone independent of the vendor prepares the record of housing and meals served. At a minimum, someone independent should review the housing and meal log to ensure its accuracy.
- B. Ensure the housing and meal log indicates each prisoner who is incarcerated per day, the number of meals served to each prisoner, and a daily total of meals served. The County Clerk should add the daily totals on the meal log and reconcile it to the vendor's invoice and investigate any differences.

Status:

- A. Implemented.
- B. Effective May 2002, the jailers began preparing prisoner meals.

4. Budgetary Practices

- A. The 1998 General Revenue Fund budget did not include accurate and complete estimates of receipts and disbursements. If accurate and complete estimates had been included, a General Revenue Fund deficit budget balance of \$114,835 would have existed as of December 31, 1998.
- B. Formal budgets were not prepared for various county funds.
- C. Disbursements were made in excess of the approved budgets in various county funds.
- D. The county's Schedule of Federal Financial Assistance contained numerous errors and omissions.

Recommendation:

- A. The County Commission and County Clerk ensure accurate and complete estimates of receipts and disbursements are used in future budget documents.
- B. The County Commission ensure that budgets are prepared for all county funds in accordance with state law.
- C. The County Commission ensure the county does not authorize disbursements in excess of budgeted expenditures. If valid reasons necessitate excess expenditures, the original budget should be formally amended.
- D. The County Clerk ensure all federal financial expenditure amounts are properly recorded on the schedule of federal financial assistance.

Status:

- A. Implemented.
- B&C. Not implemented. See Schedule of findings and Questioned Costs finding 01-1.
- D. Not Implemented. See Schedule of findings and Questioned Costs finding 01-2.

5. Prosecuting Attorney's Procedures and Accounting Controls

- A. Receipts were not deposited timely.
- B. Cash duties were not adequately segregated. In addition, four of five employees in the Prosecuting Attorney's office were authorized to sign checks.

- C. The Prosecuting Attorney and his employees who handle monies were not bonded.
- D. Monthly bank reconciliations were not performed.
- E. Open items listings were not prepared. At December 31, 1997, there was approximately \$2,054 in the bad check account that could not be identified.

Recommendation:

The Prosecuting Attorney:

- A. Deposit all monies received intact daily or when cash on hand exceeds \$100.
- B. Segregate the duties of handling, recording, distributing, and reconciling cash. There should be supervisory review of reconciliations between receipts and deposits and disbursement checks should be reviewed and signed by the Prosecuting Attorney or another designated individual independent of cash duties.
- C. Acquire a bond for all employees handling assets.
- D. Perform monthly bank reconciliations.
- E. Prepare a listing of open items on a monthly basis and reconcile the listing to bank and book balances. In addition, the Prosecuting Attorney should determine the proper disposition of the unidentified monies or dispose of the monies in accordance with state law.

Status:

A-E. Not implemented. See MAR finding number 11.

6. Recorder of Deeds' Records and Procedures

- A. The names of payors were not identified in the fee book.
- B. The Recorder of Deeds did not deposit receipts intact. Refunds were issued from cash on hand, instead of by check.
- C. The Recorder of Deeds remitted fees collected from recording documents and interest earned on deposits to the County Treasurer once a year.

Recommendation:

The Recorder of Deeds:

- A. Record the payor's name in the fee book.
- B. Deposit all monies received intact and issue checks for all refunds.
- C. Remit fees and interest earned to the County Treasurer on a monthly basis.

Status:

- A. Implemented.
- B. Not implemented. See MAR finding number 9.
- C. Partially implemented. Fees are remitted to the County Treasurer on a monthly basis; however, interest and copy monies were not distributed to the General Revenue Fund during the four years ended December 31, 2001. See MAR finding number 9.

7. Health Center Procedures

- A. Receipts and year end cash balances reported on the health center's annual budgets did not agree to the health center's internal accounting records or the total reconciled cash balance per year end bank statements.
- B. The health center did not perform monthly bank reconciliations for its money market account.
- C. Fees collected for death certificates, birth certificates, hepatitis B vaccines, and cholesterol tests were deposited only once a month.
- D. The approved budget documents did not adequately project the anticipated balances of the Health Center Fund. Receipts were underestimated and disbursements were overestimated.
- E. The health center did not have written depository agreements with any of its depository banks.

Recommendation:

The health center Board of Trustees:

- A. Ensure all receipts are properly reflected in the annual budget documentation.

- B. Perform and document adequate monthly bank reconciliations for all bank accounts and agree these reconciliations to the monthly financial statements. In addition, any differences noted should be investigated and resolved.
- C. Deposit all monies received intact daily or when receipts exceed \$100.
- D. Estimate receipts and disbursements as closely as possible to the anticipated actual amounts so that a reasonable estimate of the county's financial positions is presented.
- E. Enter into written agreements with depository banks which document the services and costs of services to be provided by both parties.

Status:

A,B,
&E. Implemented.

C&D. Not implemented. See MAR finding number 13.

8. General Fixed Asset Records and Procedures

- A. Some fixed asset additions had not been recorded on the property records.
- B. The county did not prepare a summary of changes in general fixed assets at each year-end reconciling beginning balance, additions, and deletions.
- C. The County Clerk did not periodically reconcile equipment purchases with additions to the fixed asset records.
- D. Vehicle logs were not maintained for county-owned vehicles.

Recommendation:

- A. The County Clerk ensure the general fixed asset records are maintained on a current basis.
- B. The County Clerk prepare a summary of beginning balances, additions, and deletions of general fixed assets at each year-end.
- C. The County Clerk reconcile equipment purchases to the fixed asset records.
- D. The County Commission ensure usage logs are maintained for county vehicles.

Status:

A-D. Not implemented. See MAR finding number 6.

STATISTICAL SECTION

History, Organization, and
Statistical Information

ADAIR COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1841, the county of Adair was named after General John Adair, Governor of Kentucky. Adair County is a county-organized, third-class county and is part of the Second Judicial Circuit. The county seat is Kirksville.

Adair County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Adair County received its money in 2001 and 2000 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	2001		2000	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 515,100	15	462,274	12
Sales taxes	1,297,221	38	1,281,372	34
Federal and state aid	1,015,035	30	1,466,253	38
Fees, interest, and other	560,488	17	541,302	16
Total	\$ 3,387,844	100	3,751,201	100

The following chart shows how Adair County spent monies in 2001 and 2000 from the General Revenue and Special Road and Bridge Funds:

USE	2001		2000	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 1,334,393	44	1,190,930	33
Public safety	411,372	13	568,365	16
Highways and roads	1,294,769	43	1,769,883	51
Total	\$ 3,040,534	100	3,529,178	100

In addition, Adair County had revenues of \$863,938 and \$677,547 in the Law Enforcement Sales Tax - Services Fund and expended \$847,427 and \$791,314 for the purposes of law enforcement in 2001 and 2000, respectively.

The county maintains approximately 174 county bridges and 672 miles of county roads.

The county's population was 22,472 in 1970 and 24,977 in 2000. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	2001	2000	1985*	1980**	1970**
	(in millions)				
Real estate	\$ 134.6	124.7	86.4	46.4	27.5
Personal property	48.2	46.3	16.5	11.7	7.8
Railroad and utilities	22.2	21.8	23.7	11.1	7.0
Total	\$ 205.0	192.8	126.6	69.2	42.3

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Adair County's property tax rates per \$100 of assessed valuations were as follows:

	Year Ended December 31,	
	2001	2000
General Revenue Fund	\$.0000	.0000
Special Road and Bridge Fund	.2600	.2604
Health Center Fund	.1997	.2000

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),	
	2002	2001
State of Missouri	\$ 61,493	58,092
General Revenue Fund	3,931	3,923
Special Road and Bridge Fund	530,833	502,181
Assessment Fund	114,763	107,893
Health Center Fund	401,464	379,588
School districts	8,153,283	7,667,754
Library district	298,337	282,018
Ambulance district	403,251	381,338
Nursing Home Districts	303,589	287,281
Advertising	345	189
Cities	1,015,646	949,335
Tax Increment Financing Districts	173,280	119,616
County Clerk	920	1,165
County Employees' Retirement	28,622	26,580
Commissions and fees:		
County Collector	18,396	16,533
General Revenue Fund	173,535	161,826
Total	\$ 11,681,688	10,945,312

Percentages of current taxes collected were as follows:

	<u>Year Ended February 28 (29),</u>	
	<u>2002</u>	<u>2001</u>
Real estate	97 %	97 %
Personal property	94	98
Railroad and utilities	100	100

Adair County also has the following sales taxes; rates are per \$1 of retail sales:

	<u>Rate</u>	<u>Expiration Date</u>	<u>Required Property Tax Reduction</u>
General	\$.0050	None	50 %
Law enforcement services and expansion of the detention center	.0050	*	None

* .0025 will expire September 30, 2012, or upon the retirement of the debt incurred for the planning, design and construction of the new Adair County Detention Center, whichever shall first occur.

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2002	2001	2000
County-Paid Officials:			
Gary W. Jones, Presiding Commissioner	\$	29,390	29,060
Ray Klinginsmith, Associate Commissioner		27,390	
Bob Brawner, Associate Commissioner			27,060
Sid Osborn, Associate Commissioner		27,390	
Herman Truitt, Associate Commissioner			27,060
Bill Murrell, Recorder of Deeds		41,500	41,000
Jon E. Cook, County Clerk		41,500	41,000
Tom Hensley, Prosecuting Attorney		51,000	49,000
Leonard Clark, Sheriff		46,000	
Randy Forquer, Sheriff			45,000
Lori Smith, County Treasurer		30,710	30,340
Brian C. Noe, County Coroner		14,000	13,000
Joan Mayberry, Public Administrator (1)		41,500	49,291
David O. Erwin, County Collector (2), year ended February 28 (29),	59,896	57,616	
Bob Giovannini, County Assessor (3), year ended August 31,		42,237	41,900
Edward A. Cleaver, County Surveyor (4)			

- (1) Includes fees received from probate cases during the year ended December 31, 2000.
- (2) Includes \$18,396 and \$16,533 for the years ended February 28(29) 2002 and 2001, respectively, of commissions earned for collecting city property taxes.
- (3) Includes \$900 annual compensation received from the state.
- (4) Compensation on a fee basis.

State-Paid Officials:

Linda Decker, Circuit Clerk		47,300	46,127
Joyce Otten, Associate Circuit Judge		96,000	97,382

A breakdown of employees (excluding the elected officials) by office at December 31, 2001, is as follows:

Office	Number of Employees Paid by	
	County	State
County Commission	3 *	0
Circuit Clerk	0	5 ****
Recorder of Deeds	2	0
County Clerk	3	0
Prosecuting Attorney	4 *	0
Sheriff	21 *	0
County Treasurer	1	0
County Coroner	0	0
Public Administrator	1	0
County Collector	4 **	0
County Assessor	6 *	0
County Surveyor	0	0
Associate Division	0	2
Probate Division	0	1
Road and Bridge	20 ***	0
Health Center	18 *	0
Total	<u>83</u>	<u>8</u>

* Includes 1 part-time employee

** Includes 2 part-time employees

*** Includes 3 part-time employees

**** Includes 1 employee paid 80% by State and 20% by County

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Adair County's share of the second Judicial Circuit's expenses is 62.70 percent.

The County Commission entered into a lease agreement with the BNY Trust Company of Missouri on December 1, 2001. The terms of the agreement called for the trust company to issue Certificates of Participation of \$3.2 million to pay for the expansion of the jail and for the trust company to lease the jail back to the county for payments totaling the principal and interest due on the outstanding certificates. Payments are made from the Law Enforcement Sales Tax-Construction Fund from the sales tax revenues. The certificates of participation are scheduled to be paid off in 2007. The remaining principal and interest due on the lease at December 31, 2001, was \$3.2 million and \$356,675, respectively.

The County Commission entered into a lease/purchase agreement with the Bank of Kirksville dated August 7, 2001, which provides for the Bank of Kirksville to pay for the software, equipment, and materials used in connection with the county's E-911 service and then lease the items to the county for payments totaling the principal and interest due on the lease. Payments are to be made through a telephone surcharge. The lease is scheduled to be paid off in 2009. The remaining principal and interest due on the lease at December 31, 2001, was \$300,000 and \$69,033, respectively.

The County Commission entered into a lease/purchase agreement with B K Development, Inc. on June 21, 2000. The terms of the agreement called for B K Development, Inc. to pay for the construction of the juvenile detention center building and then lease the building to the county for payments totaling the principal and interest due on the lease. The lease is scheduled to be paid off in 2020. The remaining principal and interest due on the lease at December 31, 2001, was \$1,849,695 and \$1,359,554, respectively.

* * * * *