



CLAIRE C. McCASKILL
Missouri State Auditor

To the County Commission
and
Officeholders of Mercer County, Missouri

The State Auditor's Office through the State Office of Administration, Division of Purchasing, contracted the audit services of Mercer County, Missouri, for the two years ended December 31, 2002. A copy of this audit which was performed by Arthur White & Associates, L.L.C., Certified Public Accountants, is attached.

A handwritten signature in black ink that reads "Claire McCaskill".

Claire C. McCaskill
State Auditor

Report No. 2003-61
July 3, 2003

**MERCER COUNTY, MISSOURI
DECEMBER 31, 2001 AND 2002**

MERCER COUNTY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>	
<hr/> <u>FINANCIAL SECTION</u> <hr/>		
Independent Auditors' 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:.....	7-27	
<u>Exhibit</u>	<u>Description</u>	
A-1	Statement of Receipts, Disbursements, and Changes in Cash - Various Funds Year Ended December 31, 2002.....	8
A-2	Year Ended December 31, 2001.....	9
B	Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds, Years Ended December 31, 2002 and 2001.....	10-27
Notes to the Financial Statements.....	28-32	
Supplementary Schedule:.....	33-35	
Schedule of Expenditures of Federal Awards, Years Ended December 31, 2002 and 2001.....	34-35	
Notes to the Supplementary Schedule.....	36-38	
<hr/> <u>FEDERAL AWARDS - SINGLE AUDIT SECTION</u> <hr/>		
Independent Auditors' Report:.....	40-42	
Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	41-42	

MERCER COUNTY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
<u>FEDERAL AWARDS - SINGLE AUDIT SECTION</u>	
Schedule:.....	43-56
Schedule of Findings and Questioned Costs (Including Management's Plan for Corrective Action), Years Ended December 31, 2002 and 2001	44-56
Section I - Summary of Auditors' Results.....	44-45
Section II - Financial Statement Findings.....	45-52
<u>Number</u>	<u>Description</u>
02-1	Excess property tax..... 45-46
02-2	Purchasing procedures 46-47
02-3	Computer system controls..... 47-48
02-4	General fixed assets records and procedures 49
02-5	Budgetary practices..... 49-51
02-6	Published financial statements..... 51
Section III - Federal Award Findings and Questioned Costs	52-55
02-7	Schedule of Expenditures of Federal Awards..... 52-54
02-8	Adequate documentation of actual expenditures 54-55
Follow-Up on Prior Audit Findings for an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	56-62
Summary Schedule of Prior Audit Findings in Accordance With OMB Circular A-133	63-65

FINANCIAL SECTION

Independent Auditors' Reports

ARTHUR WHITE & ASSOCIATES, L.L.C.

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St. Joseph, Missouri
Rock Port, Missouri

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

May 7, 2003

To the County Commission
and
Officeholders of Mercer County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Mercer County, Missouri, as of and for the years ended December 31, 2002 and 2001, 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 Mercer 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 Mercer 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 Mercer 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, 2002 and 2001, 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 May 7, 2003, 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.

Original Signed by Auditor

ARTHUR WHITE & ASSOCIATES, L.L.C.

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

May 7, 2003

To the County Commission
and
Officeholders of Mercer County, Missouri

We have audited the special-purpose financial statements of various funds of Mercer County, Missouri, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 7, 2003. 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 Mercer 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 02-1, 02-2, 02-4, 02-5 and 02-6.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Mercer 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 certain matters involving the internal control over financial reporting 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 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 statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 02-3, and 02-4.

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 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 believe that none of the reportable conditions described above are material weaknesses.

This report is intended for the information of the management of Mercer County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials and should not be used by anyone other than these specified parties.

Original Signed by Auditor

ARTHUR WHITE & ASSOCIATES, L.L.C.

Financial Statements

Exhibit A-1

MERCER COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2002

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 129,280	\$ 593,356	\$ 656,993	\$ 65,643
Special Road and Bridge	20,607	913,106	765,356	168,357
Assessment	12,768	67,543	64,145	16,166
Sheriff Special Fund	2,438	6,135	6,087	2,486
Prosecuting Attorney Training	124	257	100	281
Law Enforcement Training	865	1,035	890	1,010
Recorder's User Fees	7,641	4,256	2,592	9,305
Prosecuting Attorney Sales Tax	155	4	-	159
Prosecuting Attorney Bad Check	8	3,620	3,097	531
Recorder Trust Fund	-	90	40	50
Law Library	2	2,555	2,523	34
Circuit Clerk Interest	505	76	23	558
Division II Interest	249	83	-	332
C.D.B.G. Project	4,591	-	4,591	-
Health Center	8,816	265,386	228,491	45,711
FEMA Project 1412-DR-MO Fund	-	196,487	109,674	86,813
Treasurer's Maintenance	-	596	-	596
Total	\$ 188,049	\$ 2,054,585	\$ 1,844,602	\$ 398,032

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

Exhibit A-2

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

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 135,074	\$ 701,201	\$ 706,995	\$ 129,280
Special Road and Bridge	139,832	721,155	840,380	20,607
Assessment	8,370	66,997	62,599	12,768
Sheriff Special Fund	2,156	4,827	4,545	2,438
Prosecuting Attorney Training	177	311	364	124
Law Enforcement Training	455	1,936	1,526	865
Recorder's User Fees	7,002	2,576	1,937	7,641
Prosecuting Attorney Sales Tax	153	2	-	155
Prosecuting Attorney Bad Check	442	4,625	5,059	8
Recorder Trust Fund		130	130	-
Law Library	105	1,860	1,963	2
Circuit Clerk Interest	432	96	23	505
Division II Interest	144	105	-	249
C.D.B.G. Project	4,591	-	-	4,591
Health Center	31,398	255,908	278,490	8,816
C.D.B.G. Project 2000-Pf-12		60,000	60,000	-
Total	\$ 330,331	\$ 1,821,729	\$ 1,964,011	\$ 188,049

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

Exhibit B-1

MERCER COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 GENERAL REVENUE FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 165,000	\$ 166,849	\$ 1,849	\$ 182,000	\$ 201,892	\$ 19,892
Sales taxes	285,000	273,566	(11,434)	258,000	279,547	21,547
Intergovernmental	88,950	70,242	(18,708)	62,255	80,489	18,234
Charges for services	43,600	39,558	(4,042)	44,000	44,508	508
Interest	5,500	3,853	(1,647)	5,400	5,536	136
Other	23,960	14,981	(8,979)	27,582	64,759	37,177
Transfers in	24,000	24,307	307	30,651	24,470	(6,181)
Total Receipts	<u>636,010</u>	<u>593,356</u>	<u>(42,654)</u>	<u>609,888</u>	<u>701,201</u>	<u>91,313</u>
DISBURSEMENTS						
County Commission	59,736	58,943	793	59,936	58,982	954
County Clerk	53,903	55,019	(1,116)	52,558	52,541	17
Elections	12,900	12,347	553	10,850	6,716	4,134
Buildings and grounds	62,241	55,213	7,028	72,977	124,530	(51,553)
Employee fringe benefits	66,000	61,940	4,060	59,040	61,728	(2,688)
County Treasurer	34,803	36,033	(1,230)	34,037	33,174	863
Circuit Clerk	6,100	4,497	1,603	5,941	5,745	196
Associate Circuit Court	5,950	3,696	2,254	6,280	5,185	1,095
Court administration	5,345	4,907	438	5,151	4,809	342
Public Administrator	17,059	16,472	587	19,610	18,364	1,246
Sheriff	199,273	204,699	(5,426)	175,140	174,681	459
Jail	12,000	20,630	(8,630)	11,100	10,682	418
Prosecuting Attorney	54,588	50,933	3,655	53,771	53,515	256
Juvenile Officer	14,084	4,488	9,596	13,988	4,474	9,514
Coroner	6,990	6,990	-	6,990	6,990	-
Township Collectors	3,000	2,054	946	2,500	2,184	316
Court Reporter	750	532	218	750	240	510
Other	72,200	57,600	14,600	66,400	82,455	(16,055)
Emergency fund	19,080		19,080	18,297		18,297
Total Disbursements	<u>706,002</u>	<u>656,993</u>	<u>49,009</u>	<u>675,316</u>	<u>706,995</u>	<u>(31,679)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(69,992)	(63,637)	6,355	(65,428)	(5,794)	59,634
CASH, JANUARY 1	129,280	129,280	-	135,074	135,074	-
CASH, DECEMBER 31	<u>\$ 59,288</u>	<u>\$ 65,643</u>	<u>\$ 6,355</u>	<u>\$ 69,646</u>	<u>\$ 129,280</u>	<u>\$ 59,634</u>

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

MERCER COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 27,450	\$ 30,685	\$ 3,235	\$ 26,000	\$ 27,534	\$ 1,534
Sales taxes	55,000	67,156	12,156		6,068	6,068
Intergovernmental	876,400	653,862	(222,538)	890,000	655,759	(234,241)
Interest	3,000	3,713	713	8,000	3,442	(4,558)
Other	32,150	33,138	988	24,750	28,352	3,602
Transfers in		124,552	124,552	14,875		(14,875)
Total Receipts	<u>994,000</u>	<u>913,106</u>	<u>(80,894)</u>	<u>963,625</u>	<u>721,155</u>	<u>(242,470)</u>
DISBURSEMENTS						
Salaries	110,400	110,400	-	110,000	108,784	1,216
Employee fringe benefits	26,900	21,584	5,316	27,000	25,558	1,442
Supplies	41,250	34,751	6,499	53,100	53,683	(583)
Insurance	6,500	4,591	1,909	6,000	6,355	(355)
Road and bridge materials	272,000	297,043	(25,043)	289,000	283,044	5,956
Equipment repairs	15,000	23,835	(8,835)	14,000	21,576	(7,576)
Rentals	500	596	(96)	3,000	50	2,950
Equipment purchases	61,000	60,299	701	57,000	60,417	(3,417)
Road and bridge construction, repair and maintenance	500	40,263	(39,763)	1,000	110	890
Other	416,000	150,518	265,482	429,717	255,872	173,845
Transfers out	24,000	21,476	2,524	30,561	24,931	5,630
Total Disbursements	<u>974,050</u>	<u>765,356</u>	<u>208,694</u>	<u>1,020,378</u>	<u>840,380</u>	<u>179,998</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	19,950	147,750	127,800	(56,753)	(119,225)	(62,472)
CASH, JANUARY 1	20,607	20,607	-	139,832	139,832	-
CASH, DECEMBER 31	<u>\$ 40,557</u>	<u>\$ 168,357</u>	<u>\$ 127,800</u>	<u>\$ 83,079</u>	<u>\$ 20,607</u>	<u>\$ (62,472)</u>

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

Exhibit B-3

MERCER COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 ASSESSMENT FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 66,000	\$ 66,840	\$ 840	\$ 65,100	\$ 66,218	\$ 1,118
Interest	800	703	(97)	350	779	429
Total Receipts	<u>66,800</u>	<u>67,543</u>	<u>743</u>	<u>65,450</u>	<u>66,997</u>	<u>1,547</u>
DISBURSEMENTS						
Assessor	69,945	64,145	5,800	62,534	62,599	(65)
Total Disbursements	<u>69,945</u>	<u>64,145</u>	<u>5,800</u>	<u>62,534</u>	<u>62,599</u>	<u>(65)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,145)	3,398	6,543	2,916	4,398	1,482
CASH, JANUARY 1	12,768	12,768	-	8,370	8,370	-
CASH, DECEMBER 31	<u>\$ 9,623</u>	<u>\$ 16,166</u>	<u>\$ 6,543</u>	<u>\$ 11,286</u>	<u>\$ 12,768</u>	<u>\$ 1,482</u>

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

Exhibit B-4

MERCER COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 SHERIFF SPECIAL FUND

	Year Ended December 31,			Year Ended December 31,		
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental revenues	\$ 5,000	\$ 6,058	\$ 1,058	\$ 4,781	\$ 4,781	
Interest			-	46	46	
Other revenue		77	77			-
Total Receipts	5,000	6,135	1,135	\$ -	4,827	4,827
DISBURSEMENTS						
Supplies	6,000	6,087	(87)	4,600	4,545	55
Total Disbursements	6,000	6,087	(87)	4,600	4,545	55
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,000)	48	1,222	(4,600)	282	4,772
CASH, JANUARY 1	2,438	2,438	-	2,156	2,156	-
CASH, DECEMBER 31	\$ 1,438	\$ 2,486	\$ 1,222	\$ (2,444)	\$ 2,438	\$ 4,772

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

Exhibit B-5

MERCER COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 410	\$ 254	\$ (156)	\$ 384	\$ 307	\$ (77)
Interest	5	3	(2)	2	4	2
Total Receipts	<u>415</u>	<u>257</u>	<u>(158)</u>	<u>386</u>	<u>311</u>	<u>(75)</u>
DISBURSEMENTS						
Prosecutor	500	100	400	200	364	(164)
Total Disbursements	<u>500</u>	<u>100</u>	<u>400</u>	<u>200</u>	<u>364</u>	<u>(164)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(85)	157	242	186	(53)	(239)
CASH, JANUARY 1	124	124	-	177	177	-
CASH, DECEMBER 31	<u>\$ 39</u>	<u>\$ 281</u>	<u>\$ 242</u>	<u>\$ 363</u>	<u>\$ 124</u>	<u>\$ (239)</u>

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

Exhibit B-6

MERCER COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,			Year Ended December 31,		
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	\$ 10	\$ 23	\$ 13	\$ 10	\$ 10	\$ -
Charges for services	1,550	1,012	(538)	1,520	1,234	(286)
Other	690		(690)	1,300	692	(608)
Total Receipts	2,250	1,035	(1,215)	2,830	1,936	(894)
DISBURSEMENTS						
Sheriff and Deputies	3,000	890	2,110	2,500	1,526	974
Total Disbursements	3,000	890	2,110	2,500	1,526	974
RECEIPTS OVER (UNDER) DISBURSEMENTS	(750)	145	895	330	410	80
CASH, JANUARY 1	865	865	-	455	455	-
CASH, DECEMBER 31	\$ 115	\$ 1,010	\$ 895	\$ 785	\$ 865	\$ 80

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

MERCER COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 RECORDER'S USER FEES FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	\$ 120	\$ 198	\$ 78	\$ 138	\$ 118	\$ (20)
Intergovernmental revenues	3,000	4,058	1,058	2,050	2,458	408
Total Receipts	<u>3,120</u>	<u>4,256</u>	<u>1,136</u>	<u>2,188</u>	<u>2,576</u>	<u>388</u>
DISBURSEMENTS						
Supplies	4,500	2,192	2,308	3,774	1,789	1,985
Training & mileage	400	400	-		148	(148)
Total Disbursements	<u>4,900</u>	<u>2,592</u>	<u>2,308</u>	<u>3,774</u>	<u>1,937</u>	<u>1,837</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,780)	1,664	3,444	(1,586)	639	2,225
CASH, JANUARY 1	7,641	7,641	-	7,002	7,002	-
CASH, DECEMBER 31	<u>\$ 5,861</u>	<u>\$ 9,305</u>	<u>\$ 3,444</u>	<u>\$ 5,416</u>	<u>\$ 7,641</u>	<u>\$ 2,225</u>

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

Exhibit B-8

MERCER COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 PROSECUTING ATTORNEY SALES TAX FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	\$ 3	\$ 4	\$ 1	\$ 4	\$ 2	\$ (2)
Total Receipts	<u>3</u>	<u>4</u>	<u>1</u>	<u>4</u>	<u>2</u>	<u>(2)</u>
DISBURSEMENTS						
Office expenditures	100		100	100		100
Total Disbursements	<u>100</u>	<u>-</u>	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(97)	4	101	(96)	2	98
CASH, JANUARY 1	155	155	-	153	153	-
CASH, DECEMBER 31	<u>\$ 58</u>	<u>\$ 159</u>	<u>\$ 101</u>	<u>\$ 57</u>	<u>\$ 155</u>	<u>\$ 98</u>

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

Exhibit B-9

MERCER COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Other revenues	\$ 5,200	\$ 3,618	\$ (1,582)	\$ 4,700	\$ 4,612	\$ (88)
Interest	20	2	(18)	25	13	(12)
Total Receipts	<u>5,220</u>	<u>3,620</u>	<u>(1,600)</u>	<u>4,725</u>	<u>4,625</u>	<u>(100)</u>
DISBURSEMENTS						
Secretary salary	4,489	3,064	1,425	4,398	4,358	40
Miscellaneous	720	33	687	750	701	49
Total Disbursements	<u>5,209</u>	<u>3,097</u>	<u>2,112</u>	<u>5,148</u>	<u>5,059</u>	<u>89</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	11	523	512	(423)	(434)	(11)
CASH, JANUARY 1	8	8	-	442	442	-
CASH, DECEMBER 31	<u>\$ 19</u>	<u>\$ 531</u>	<u>\$ 512</u>	<u>\$ 19</u>	<u>\$ 8</u>	<u>\$ (11)</u>

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

MERCER COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 RECORDER TRUST FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 130	\$ 90	\$ (40)	\$ 130	\$ 130	
Total Receipts	130	90	(40)	\$ -	130	130
DISBURSEMENTS						
Abuse shelter	130	40	90		130	(130)
Total Disbursements	130	40	90	-	130	(130)
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	50	50	-	-	-
CASH, JANUARY 1	-	-	-	-	-	-
CASH, DECEMBER 31	\$ -	\$ 50	\$ 50	\$ -	\$ -	\$ -

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

MERCER COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 LAW LIBRARY FUND

	Year Ended December 31,					
	#REF!			#REF!		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for service	\$ 2,300	\$ 2,555	\$ 255	\$ 2,800	\$ 1,860	\$ (940)
Total Receipts	<u>2,300</u>	<u>2,555</u>	<u>255</u>	<u>2,800</u>	<u>1,860</u>	<u>(940)</u>
DISBURSEMENTS						
Office supplies	2,300	2,523	(223)	2,800	1,963	837
Total Disbursements	<u>2,300</u>	<u>2,523</u>	<u>(223)</u>	<u>2,800</u>	<u>1,963</u>	<u>837</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	32	32	-	(103)	(103)
CASH, JANUARY 1	2	2	-	105	105	-
CASH, DECEMBER 31	<u>\$ 2</u>	<u>\$ 34</u>	<u>\$ 32</u>	<u>\$ 105</u>	<u>\$ 2</u>	<u>\$ (103)</u>

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

MERCER COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 CIRCUIT CLERK INTEREST FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest		\$ 76	\$ 76	\$ 110	\$ 96	\$ (14)
Total Receipts	\$ -	76	76	110	96	(14)
DISBURSEMENTS						
Office expenditures		23	(23)	200	23	177
Total Disbursements	-	23	(23)	200	23	177
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	53	53	(90)	73	163
CASH, JANUARY 1	505	505	-	432	432	-
CASH, DECEMBER 31	\$ 505	\$ 558	\$ 53	\$ 342	\$ 505	\$ 163

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

MERCER COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 DIVISION II INTEREST FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	\$ 125	\$ 83	\$ (42)	\$ 125	\$ 105	\$ (20)
Total Receipts	125	83	(42)	125	105	(20)
DISBURSEMENTS						
Office expenses	100		100	200		200
Total Disbursements	100	-	100	200	-	200
RECEIPTS OVER (UNDER) DISBURSEMENTS	25	83	58	(75)	105	180
CASH, JANUARY 1	249	249	-	144	144	-
CASH, DECEMBER 31	\$ 274	\$ 332	\$ 58	\$ 69	\$ 249	\$ 180

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

MERCER COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 C.D.B.G. PROJECT FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Transfers in			\$ -	\$ 10,283		\$ (10,283)
Total Receipts	\$ -	\$ -	-	10,283	\$ -	(10,283)
DISBURSEMENTS						
Bridge materials		4,591	(4,591)	14,874		14,874
Total Disbursements	-	4,591	(4,591)	14,874	-	14,874
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	(4,591)	(4,591)	(4,591)	-	4,591
CASH, JANUARY 1	4,591	4,591	-	4,591	4,591	-
CASH, DECEMBER 31	\$ 4,591	\$ -	\$ (4,591)	\$ -	\$ 4,591	\$ 4,591

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

MERCER COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 HEALTH CENTER FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property tax	\$ 48,000	\$ 61,799	\$ 13,799	\$ 48,500	\$ 50,040	\$ 1,540
Intergovernmental revenues	86,850	95,871	9,021	93,625	107,954	14,329
Charges for services	16,231	20,121	3,890	16,700	19,476	2,776
Interest income	400	490	90	750	1,233	483
Other revenue	83,840	87,105	3,265	84,500	57,205	(27,295)
Operating transfers in	-	-	-	-	20,000	20,000
Total Receipts	<u>235,321</u>	<u>265,386</u>	<u>30,065</u>	<u>244,075</u>	<u>255,908</u>	<u>11,833</u>
DISBURSEMENTS						
Salaries	140,191	137,895	2,296	146,576	153,799	(7,223)
Call back home health pay	3,720	4,800	(1,080)	5,000	3,160	1,840
Office expenditures	26,130	24,267	1,863	28,030	22,675	5,355
Mileage and training	7,045	8,913	(1,868)	6,000	7,518	(1,518)
Equipment and maintenance	1,400	796	604	2,500	1,237	1,263
Other	48,866	51,820	(2,954)	77,165	90,101	(12,936)
Total Disbursements	<u>227,352</u>	<u>228,491</u>	<u>(1,139)</u>	<u>265,271</u>	<u>278,490</u>	<u>(13,219)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	7,969	36,895	28,926	(21,196)	(22,582)	(1,386)
CASH, JANUARY 1	8,816	8,816	-	31,398	31,398	-
CASH, DECEMBER 31	<u>\$ 16,785</u>	<u>\$ 45,711</u>	<u>\$ 28,926</u>	<u>\$ 10,202</u>	<u>\$ 8,816</u>	<u>\$ (1,386)</u>

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

MERCER COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 FEMA PROJECT 1412-DR-MO FUND

	Year Ended December 31,		
	2002		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
FEMA grant income		\$ 196,487	\$ 196,487
Total Receipts	\$ -	196,487	196,487
DISBURSEMENTS			
Transfers out		109,674	(109,674)
Total Disbursements	-	109,674	(109,674)
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	86,813	86,813
CASH, JANUARY 1	-	-	-
CASH, DECEMBER 31	\$ -	\$ 86,813	\$ 86,813

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

MERCER COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 TREASURER'S MAINTENANCE FUND

	Year Ended December 31,		
	2002		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental revenues		\$ 596	\$ 596
Total Receipts	\$ -	596	596
DISBURSEMENTS			
Retirement			-
Total Disbursements	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	596	596
CASH, JANUARY 1	-	-	-
CASH, DECEMBER 31	\$ -	\$ 596	\$ 596

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

MERCER COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 C.D.B.G. PROJECT 2000-PF-12 FUND

	Year Ended December 31,		
	2001		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental revenues		\$ 60,000	\$ 60,000
Total Receipts		<u>60,000</u>	<u>60,000</u>
DISBURSEMENTS			
Construction	60,000	60,000	-
Total Disbursements	<u>60,000</u>	<u>60,000</u>	<u>-</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(60,000)	-	60,000
CASH, JANUARY 1	-	-	-
CASH, DECEMBER 31	<u>\$ (60,000)</u>	<u>\$ -</u>	<u>\$ 60,000</u>

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

Notes to the Financial Statements

MERCER COUNTY, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDING DECEMBER 31, 2002 AND 2001

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 Mercer County, Missouri, (County) 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, which 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>
Recorder Trust Fund	2001
Circuit Clerk Interest Fund	2002
C.D.B.G. Project Fund	2002
FEMA Project 1412-DR-MO Fund	2002
Treasurer's Maintenance Fund	2002

MERCER COUNTY, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEARS ENDING DECEMBER 31, 2002 AND 2001

C. Budgets and Budgetary Practices (Continued)

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

<u>Fund</u>	<u>Years Ended December 31,</u>	
General Revenue Fund		2001
Assessment Fund		2001
Sheriff Special Fund	2002	
Prosecuting Attorney Training Fund		2001
Recorder Trust Fund		2001
Law Library Fund	2002	
Circuit Clerk Interest Fund	2002	
C.D.B.G. Project Fund	2002	
Health Center Fund	2002	2001
FEMA Project 14-DR-MO	2002	

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

Although Section 50.740, RSMo 2000 requires a balanced budget, a deficit balance was budgeted in the following funds:

<u>Fund</u>	<u>Year Ended December 31,</u>	
Sheriff Special Fund		2001
C.D.B.G. Project 2000-Pf-12 Fund		2001

D. Published Financial Statements

Under Section 50.800, 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.

MERCER COUNTY, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEARS ENDING DECEMBER 31, 2002 AND 2001

E. Published Financial Statements (Continued)

However, the County's published financial statements did not show receipts and disbursements for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Sheriff Special Fund	2002
C.D.B.G. Project Fund	2002
FEMA Project 1412-DR-MO Fund	2002
Treasurer's Maintenance Fund	2002

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.

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 cash deposits. 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.

The financial statements do not include the cash balances of the Ex Officio County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the Ex Officio County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depository insurance are pledged to the County rather than to specific County officials.

The County's deposits at December 31, 2002 and 2001 were entirely covered by federal depository insurance or by collateral securities held by the County's custodial bank in the County's name.

MERCER COUNTY, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEARS ENDING DECEMBER 31, 2002 AND 2001

2. Cash (Continued)

The Health Center Board's deposits at December 31, 2002 and 2001 were entirely covered by federal depository insurance.

3. Property Taxes

Through December 31, 2002, Mercer County has collected \$57,316 in excess property taxes. Section 67.505, RSMo 2000, requires the County to reduce property taxes for a percentage of sales taxes collected. Mercer County voters enacted a half-cent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. Tax levies were not reduced sufficiently for actual sales tax collections.

Supplementary Schedule

Schedule

MERCER 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,	
			2002	2001
	U.S. DEPARTMENT OF AGRICULTURE Passed through State Department of Health			
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045	\$ 10,320	\$ 12,119
	U.S. DEPARTMENT OF DEFENSE Passed through State Office of Administration			
12.Unknown	Surplus Property	N/A	8,910	69,992
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Passed through State Department of Economic Development			
14.228	Community Development Block Grants	2000-Pf-12	-	62,263
	U.S. DEPARTMENT OF JUSTICE Passed through State Department of Public Safety			
16.unknown	Domestic cannabis eradication/suppression program	N/A	1,512	1,010
	U.S. DEPARTMENT OF TRANSPORTATION Passed through State Highway and Transportation Commission			
20.205	Highway Planning and Construction:	BRO-065(20)	-	184,451
		BRO-065(21)	122,435	76,655
		BRO-065(22)	10,621	17,606
		BRO-065(23)	16,829	-
20.703	Passed through State Department of Public Safety Hazardous Materials Emergency Preparedness	N/A	6,062	6,850
	FEDERAL EMERGENCY MANAGEMENT AGENCY Passed through State Department of Public Safety			
83.534	Emergency Management - State and Local Assistance	1412-DR-MO	269,405	-

(Continued)

Schedule

MERCER COUNTY, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2002	2001
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through State Department of Health				
93.268	Immunization Grants	PG0064	2,127	2,124
	Immunization Grants - Vaccine	N/A	6,893	7,687
93.575	Child Care and Development Block Grant			
	Local Sanitation Inspections of Child Care Facilities	PGA067	240	285
	Child Care Health Consultation	PGA067	631	564
93.945	Assistance Programs for Chronic Disease Prevention and Control			
	School Health Index for Physical Activity and Healthy Eating	C100009001	-	20,000
93.991	Preventative Health and Health Services Block Grant Suicide Prevention Initiative	C100009001	-	2,500
93.994	Maternal and Child Health Services			
	Block Grants to States	ERS146	13,396	11,399
	Block Grants to States - Dental Sealants	N/A	-	491
	Block Grants to States - Vaccine	N/A	74	865
93.563	State Department of Social Services - Child Support Enforcement	N/A	875	554
Total Expenditures of Federal Awards			<u>\$ 470,330</u>	<u>\$ 477,415</u>

N/A - Not applicable

The accompanying Notes to the Schedules of Expenditures of Federal Awards are an integral part of these schedules.

Notes to the Supplementary Schedule

MERCER COUNTY, MISSOURI

NOTES TO THE SUPPLEMENTARY SCHEDULE
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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 Mercer 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 Property (CFDA number 12.Unknown) represent the estimated fair market value of property at the time of receipt.

MERCER COUNTY, MISSOURI

NOTES TO THE SUPPLEMENTARY SCHEDULE (CONTINUED)
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

C. Basis of Accounting (Continued)

Of the amounts for Immunization Grants (CFDA number 93.268), \$6,893 and \$7,687 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the years ended December 31, 2002 and 2001. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$74 and \$865 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2002 and 2001. The remaining amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

There were no federal awards passed-through to subrecipients for the two years ending December 31, 2002.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

Independent Auditors' Report

ARTHUR WHITE & ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Rock Port, Missouri

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

May 7, 2003

To the County Commission
and
Officeholders of Mercer County, Missouri

Compliance

We have audited the compliance of Mercer 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, 2002 and 2001. The County's major federal programs are identified in the summary of auditors' 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.

As described in item 02-7 in the accompanying schedule of findings and questioned costs, Mercer County, Missouri did not comply with the requirements regarding the purchase of engineering services that are applicable to its highway planning and construction program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program. As described in item 02-8 in the accompanying schedule

of findings and questioned costs, Mercer County, Missouri did not comply with the requirements regarding documenting actual costs that are applicable to its Emergency Management-State and Local Assistance Program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Mercer 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, 2002 and 2001.

Internal Control Over Compliance

The management of Mercer 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 a certain matter involving the internal control over compliance 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 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. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 02-7.

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 do not consider the reportable condition described above is a material weakness.

This report is intended for the information of the management of Mercer County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials and is not intended to be and should not be used by anyone other than these specified parties.

Original Signed by Auditor

ARTHUR WHITE & ASSOCIATES, L.L.C.

Schedule

MERCER COUNTY, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2002 AND 2001

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses 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 program:

Material weakness identified? yes X no

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

Type of auditors' report issued on compliance for major program: Qualified

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>
20.205	Highway Planning and Construction
83.534	Emergency Management-State and Local Assistance

MERCER COUNTY, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 (INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
 YEARS ENDED DECEMBER 31, 2002 AND 2001

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 findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

02-1 Excess Property Tax

Condition: The County has not sufficiently reduces its property tax revenues by 50 percent of the sales tax revenues as provided in the ballot issue passed by the Mercer County voters. Following are the calculations used in determining excess property tax revenues collected for the two years ended December 31, 2002:

	<u>Year Ended December 31,</u>	
	<u>2002</u>	<u>2001</u>
Actual sales tax revenues	\$ 136,783	\$ 139,773
Required percentage of revenue reduction	X <u>50%</u>	X <u>50%</u>
Required property tax revenue reduction	68,392	69,886
Assessed Valuation	50,419,420	48,228,626
General Revenue Fund tax levy reduction (per \$100 assessed valuation)	X <u>0.15</u>	X <u>0.12</u>
Actual property tax revenue reduction	<u>75,629</u>	<u>57,874</u>
Excess property tax revenues collected	(7,237)	12,012
Excess property tax revenues collections from prior years	<u>64,553</u>	<u>52,541</u>
Excess at December 31,	<u>\$ 57,316</u>	<u>\$ 64,553</u>

Criteria: The provisions of Section 67.505, RSMo 2000 require the County to reduce property tax revenue by 50 percent of sales tax revenue in the ballot issue pursuant to that provision.

Effect: The County has collected excess property taxes.

MERCER COUNTY, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2002 AND 2001

02-1 Excess Property Tax (Continued)

Recommendation: We recommend the County Commission reduce the county property tax levy adequately to meet the sales tax reduction requirements, including reductions for excess property taxes collected in prior years.

Auditee's response: The County has made progress in the reduction of property taxes collected in prior years. The County Commission will try to reduce property taxes over the next five to seven years to reduce the excess collected in prior years.

02-2 Purchasing Procedures

Condition: Bids were not always solicited or bid documentation retained for purchases. Examples of purchases for which no evidence of bidding was available are as follows:

<u>Item Purchased</u>	<u>Amount</u>
Computer equipment	\$6,500
Software maintenance	5,172
Workmen's Compensation Insurance	11,279
Property/Liability Insurance	16,231
Health Insurance (per month)	4,488

Similar conditions were reported in the prior audit report.

Criteria: Section 50.660, RSMo 2000 requires the advertisement of bids for all purchases of \$4,500 or more. Bidding procedures for major purchases provide a framework for the economical management of County resources and help assure the County that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all interested parties are given an equal opportunity to participate in County business. Documentation of bids should always be retained as evidence the County's established purchasing procedures as well as statutory requirements are being followed. Documentation should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request proposal, newspaper publication notices when applicable, bids received, the basis and justification for awarding bids, and documentation of discussions with vendors.

Effect: The County is not in compliance with Section 50.660, RSMo 2000.

MERCER COUNTY, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2002 AND 2001

02-2 Purchasing Procedures (Continued)

Recommendation: The County Commission solicit bids for all purchases in accordance with state law and maintain adequate documentation of all bids obtained. If circumstances are deemed to warrant a purchase without bids, such circumstances should be fully documented and noted in the County Commission minutes.

Auditee's response: We will attempt to do a better job of documenting the purchasing process in the future.

02-3 Computer System Controls

The County utilizes a network of computers for its property tax system and its financial accounting system. We noted the following concerns related to the computer system:

- A. Condition: The Treasurer/Ex Officio County Collector and the County Clerk have access and update capabilities, which are not necessary for the performance of their duties. The Treasurer/Ex Officio County Collector has the capability to add new accounts and change existing accounts on the property tax portion of the computer system and also has the capability to access, update, and edit the County Clerk's records on the computer system. The County Clerk's office has access and update capabilities in the property tax system and County Treasurer's records. Any employee with knowledge of the correct password can access unauthorized areas of the system. Similar conditions were noted in the prior audit report.

Criteria: To preserve the integrity of computer programs and data files, access to information should be limited to authorized individuals.

Effect: The failure to limit access to information to authorized individuals increases the risk that errors or irregularities will not be detected in a timely manner.

- B. Condition: Passwords used by the Assessor's office, the County Clerk's office and the Treasurer/Ex Officio County Collector's office have not been changed since the original computer system was installed in 1990. In addition, passwords have not been kept confidential. Similar conditions were noted in the prior audit report.

Criteria: A unique password should be assigned to each user of a system, and these passwords should be kept confidential and changed periodically to help limit the effect of unauthorized access to computer files.

MERCER COUNTY, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2002 AND 2001

02-3 Computer System Controls (continued)

Effect: The failure to limit access to information to authorized individuals increases the risk that errors or irregularities will not be detected in a timely manner.

- C. Condition: The County does not have a formal contingency plan for the computer system in case of emergency. As a result, the County has not formally negotiated arrangements for backup facilities in the event of a disaster. Similar conditions were noted in the prior audit report.

Criteria: The major benefit of thorough contingency planning comes from the ability of the County to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption to the County.

Effect: The County does not have the ability to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption to the County.

Recommendation: We recommend the County Commission:

- A. Consider changes to the computer programs that restrict access and update capabilities to only those individuals needing such access for the performance of their duties.
- B. Ensure employees' passwords are periodically changed and kept confidential.
- C. Develop a formal contingency plan including arrangements for use of alternative data processing equipment during emergency situations.

Auditee's response:

- A. We will consider these recommendations.
- B. We will consider these recommendations.
- C. We will consider these recommendations.

MERCER COUNTY, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2002 AND 2001

02-4 General Fixed Assets Records and Procedures

Condition: The general fixed assets listing has not been updated since 1995. As a result, the listing is inaccurate and not useful in providing an internal control over assets. Similar conditions were noted in a prior audit.

Criteria: 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 \$1,000 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.

Effect: The County is not in compliance with Section 49.093, RSMo 2000.

Recommendation: The County Commission establish a written policy related to the handling and accounting for fixed assets. Besides providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with County property. In addition, all fixed asset purchases and dispositions should be recorded as they occur and purchased items should be tagged or identified as County-owned property upon receipts.

Auditee's response: The County is preparing a spreadsheet of all property owned by the County.

02-5 Budgetary Practices

Condition: Actual disbursements exceeded budgeted amounts in the following funds:

<u>Fund</u>	<u>Year Ended December 31,</u>
General Revenue Fund	2001
Assessment Fund	2001
Sheriff Special Fund	2002
Prosecuting Attorney Training Fund	2001
Recorder Trust Fund	2001
Law Library Fund	2002

MERCER COUNTY, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 (INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
 YEARS ENDED DECEMBER 31, 2002 AND 2001

02-5 Budgetary Practices (Continued)

<u>Fund (Continued)</u>	<u>Year Ended December 31,</u>	
Circuit Clerk Interest Fund	2002	
C.D.B.G. Project Fund	2002	
Health Center Fund	2002	2001
FEMA Project 1412-DR-MO	2002	

The County did not adopt budgets for the following funds:

<u>Fund</u>	<u>Year Ended December 31,</u>	
Recorder Trust Fund		2001
Circuit Clerk Interest Fund	2002	
C.D.B.G. Project Fund	2002	
FEMA Project 1412-DR-MO Fund	2002	
Treasurer's Maintenance Fund	2002	

A deficit balance was budget in the following funds:

<u>Fund</u>	<u>Year Ended December 31,</u>	
Sheriff Special Fund		2001
C.D.B.G. Project 2000-Pf-12 Fund		2001

Criteria: Chapter 50, RSMo 2000, requires the preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all County funds and activities, the County Commission is able to more effectively evaluate all County financial resources. 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 adoption of the annual budget to amend its budget. Section 50.740, RSMo 2000, requires a balanced budget.

Effect: The County is not in compliance with Chapter 50, RSMo 2000.

MERCER COUNTY, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2002 AND 2001

02-5 Budgetary Practices (Continued)

Recommendation: We recommend the County Commission not authorize disbursements in excess of budgeted amounts. If necessary, extenuating circumstances should be fully documented and the budgets properly amended and filed with the State Auditor's Office.

Auditee's Response: We will attempt to be more careful in the future in amending the budget when necessary.

02-6 Published Financial Statements

Condition: As noted in note 1D in the notes to the financial statements, the County's published financial statements did not show receipts and disbursements for all County funds.

Criteria: Section 50.800, RSMo 2000, requires 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.

Effect: The County is not in compliance with Section 50.800, RSMo 2000.

Recommendation: We recommend that the County include all County funds in the published annual financial statements.

Auditee's Response: We will attempt to include all County funds in future published annual financial statements.

MERCER COUNTY, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2002 AND 2001

Section III – Federal Award Findings and Questioned Costs

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

02-7 Part A and B

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-065(20), BRO-065(21), BRO-065(22), & BRO-065(23)
Award Years:	2002 and 2001
Questioned Costs:	\$58,471

Part A

Federal Grantor:	Federal Emergency Management Agency
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	83.534
Program Title:	Emergency Management – State and Local Assistance
Pass-Through Entity Identifying Number:	1412-DR-MO
Award Years:	2002
Questioned Costs:	None

- A. Condition: The County did not have adequate procedures in place to track federal awards for preparation of the SEFA. The County prepared a SEFA for the years ended December 31, 2002 and 2001; however, the schedule contained a number of errors and omissions. Of the reported expenditures of \$218,941 and \$289,011 for 2001 and 2002 respectively, adjustments totaling \$233,629 and \$181,319, respectively, were required. These adjustments affected most grants presented in the schedule. Similar conditions were reported in the prior audit report.

MERCER COUNTY, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2002 AND 2001

Section III – Federal Award Findings and Questioned Costs (continued)

02-7 (Continued)

Criteria: Section .310(b) of Circular A-133, *Audits of State and Local Governments, and Non-Profit 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 SEFA to the State Auditor's office as part of the annual budget.

Effect: 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.

- B. Condition: The County contracts with the State Highway and Transportation Commission for bridge replacement and rehabilitation under the Off-System Bridge Replacement and Rehabilitation Program. These projects are 80 percent federally funded. Similar conditions were reported in the prior audit report.

The County incurred engineering costs during 2002 and 2001 as follows:

BRO-065(20)	\$12,145
BRO-065(21)	11,950
BRO-065(22)	17,548
BRO-065(23)	<u>16,828</u>
Total	<u>\$58,471</u>

There was no documentation that the County Commission considered other engineering firms when procuring these services.

Criteria: Sections 8.289 and 8.291, RSMo 2000, provide that when obtaining engineering services for any capital improvement project, as least three highly qualified firms should be considered. The firms should be evaluated based upon specified criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located.

Effect: The County is not in compliance with Sections 8.289 and 8.291, RSMo 2000.

MERCER COUNTY, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2002 AND 2001

Section III – Federal Award Findings and Questioned Costs (continued)

02-7 (Continued)

Questioned cost: \$58,471, which is the federal share of engineering costs paid during the two years ended December 31, 2002.

Recommendations: We recommend that the County Commission:

- A. And the County Clerk ensure all federal award expenditure amounts are properly recorded on the Schedule of Expenditures of Federal Awards.
- B. Resolve the questioned costs with the grantor agency. In addition, for future projects the County Commission should obtain information as required by law when contracting for professional services.

Auditee's response:

- A. The County Clerk will try to implement the recommendation with the 2003 SEFA.
- B. The County Commission will resolve this matter, and will document the consideration of other engineers on future projects.

02-8 Federal Grantor: Federal Emergence Management Agency
 Pass-Through Grantor: State Department of Public Safety
 Federal CFDA Number: 83.534
 Program Title: Emergency Management-State and Local Assistance
 Pass-Through Entity
 Identifying Number: Disaster Number: 1412-DR-MO
 Award Years: 2002
 Questioned Costs: \$167,649

Condition: Public assistance grants were provided to the County as the result of severe storms occurring during the spring of 2002. This assistance included 53 small projects for various county roads and one large project. Amounts paid for the small projects were based on estimates prepared on-site by a FEMA representative. The County received \$167,649 during 2002 for the small projects. Documentation to support actual expenditures for the various small projects was not maintained by the County. According to the County Clerk and Road and Bridge supervisor, the on-site FEMA representative indicated that no further documentation would be required.

MERCER COUNTY, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2002 AND 2001

Section III – Federal Award Findings and Questioned Costs (continued)

02-8 (Continued)

Criteria: Correspondence received by the County from the State Emergency Management Agency stated FEMA requirements to track the costs of all projects, including small projects. Additionally, the *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (OMB Common Rule), Subpart C Section 20, (b)(2) states that grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities.

Effect: The County is not in compliance with FEMA requirements and the *Uniform Administration Requirements for Grants and Cooperative Agreements to State and Local Governments*.

Questioned cost: \$167,649, the amount the County received for the project, because the County did not maintain documentation to support actual expenditures for the various small public assistance projects.

Recommendations: The County Commission adopt procedures in which federal awards may be correctly identified and resolve the questioned costs with the grantor agency and for future projects, document actual expenditures incurred on all FEMA projects.

Auditee response: This project is scheduled to be closed out in 2003. We will attempt to obtain documentation from FEMA of FEMA's acceptance of reimbursement based on estimated costs. We will attempt to maintain documentation of actual expenditures in the future.

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

MERCER COUNTY, MISSOURI

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

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Mercer County, Missouri, on the finding that *Government Auditing Standards* required to be reported for an audit of financial statements in the audit report issued by the State Auditor's Office for the two years ended December 31, 2000.

00-1 County Sales Tax

The County had not sufficiently reduced its property tax revenues by 50 percent of the sales tax revenues as provided in the ballot issue passed by the Mercy County voters.

Recommendation: The County Commission reduce the county property tax levy adequately to meet the sales tax reduction requirements, including reductions for excess property taxes collected in prior years.

Status: Partially implemented. See finding 02-1.

In accordance with *Government Auditing Standards*, this section reports the auditors' follow-up on action taken by Mercer County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued by the State Auditor's Office for the two years ended December 31, 2000.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements. Although the remaining unimplemented recommendations are not repeated, the County should consider implementing those recommendations.

1. County Expenditures

- A. Billing statements were not always reconciled to invoices prior to payment nor did the County Clerk's office check the expenditures system to ensure payment had not already been made.
- B. The County did not always solicit bids or retain bid documentation.
- C. A potential conflict of interest existed because an Associate County Commissioner received royalties from a local rock quarry with which the County does business.

Recommendation: The County Commission:

- A. Ensure billing statements are supported by invoices prior to payment.

MERCER COUNTY, MISSOURI

FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)

1. County Expenditures (Continued)

- B. Solicit bids for all purchases in accordance with state law and maintain adequate documentation of all bids obtained.
- C. Consult legal counsel and determine whether this situation is in violation of state law.

Status:

- A. Implemented
 - B. Not implemented. See finding 02-2.
 - C. Not implemented. Although not repeated in the current report, the recommendations remain the same as stated above.
2. Ex-Officio County Collector's Controls and Procedures

The method of payment received is not consistently indicated on the paid tax receipts. Additionally, the tax receipts are not reconciled to the composition of bank deposits.

Recommendation: The Ex-Officio County Collector record the method of payment on each paid tax statement and reconcile the composition of receipts to the paid tax bills and to bank deposits.

Status: Implemented.

3. Computer System Control

- A. The Treasurer and Ex-Officio County Collector and the County Clerk had access and update capabilities which were not necessary for the performance of their duties. Any employee with knowledge of the correct password could access and make unauthorized changes to the system.
- B. Passwords used by the Assessor's office, the County Clerk's office and the Treasurer had not been changed since the original computer system was installed several years ago. Passwords had not been kept confidential.
- C. The County did not have a formal contingency plan for the computer system in case of emergency.

MERCER COUNTY, MISSOURI

FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)

3. Computer System Control (Continued)

Recommendation: The County Commission:

- A. Consider changes to the computer programs that restrict access and update capabilities to only those individuals needing such access for the performance of their duties.
- B. Ensure employee passwords are periodically changed and kept confidential.
- C. Develop a formal contingency plan including arrangements for use of alternate data processing equipment during emergencies.

Status: Not implemented. See finding 02-3.

4. Sheriff's Accounting Controls and Procedures

- A. Accounting duties are not adequately segregated.
- B-1. Receipts are not deposited on a timely basis.
- B-2. The composition and amount of recorded receipts is not reconciled to bank deposits.
- B-3. Receipts are not posted to the cash control records on a timely basis.
- C. Bank reconciliations are not prepared for the Sheriff's bank account.
- D. Bond forms are not prenumbered and prenumbered receipt slips are not issued for some bond monies received. Some bond monies are transmitted directly to the Mercer County Associate Circuit Court and are not deposited into the Sheriff's bank account. Receipt slips from the court are not retained to document the turnover of these cash bonds.
- E. Payments for services billed to other counties for boarding prisoners were deposited directly to the Sheriff's bank account instead of directly to the County Treasurer. In addition, reconciliations between billing statements and payments are not performed.
- F. The Sheriff maintains a bank account for soda sales and indicated the proceeds are personal funds.

Recommendation: The Sheriff:

- A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

MERCER COUNTY, MISSOURI

FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)

4. Sheriff's Accounting Controls and Procedures (Continued)

- B-1. Deposit receipts daily or when accumulated receipts exceed \$100.
- B-2. Reconcile the composition and amount of recorded receipts to the composition and amount of bank deposits.
- B-3. Post all receipts to cash control records on a timely basis.
- C. Prepare monthly bank reconciliations and reconcile the cash balance to open items.
- D. Ensure prenumbered bond forms are used and account for the numerical sequence. In addition, bond monies should be deposited into the Sheriff's bank account, or, if bond monies are transmitted directly to the courts, ensure receipt slips from the courts are retained.
- E. Ensure billing statements stipulate payments be made to the County Treasurer.
- F. Discuss the appropriate handling and accountability of soda and monies with the County Commission.

Status:

- A. Implemented.
- B-1. Implemented.
- B-2. Implemented.
- B-3. Implemented.
- C. Implemented.
- D. Implemented.
- E. Implemented.
- F. Partially implemented. Proceeds from soda sales are used for Sheriff's office expenditures and the Sheriff has discontinued snack sales.

MERCER COUNTY, MISSOURI

FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)

5. General Fixed Assets Records and Procedures

The general fixed asset listing has not been updated nor has a physical inventory been completed since 1995.

Recommendation: We recommend the County Commission establish a written policy related to the handling and accounting for fixed assets. In addition, all fixed asset purchases and dispositions should be recorded as they occur and purchased items should be tagged or identified as County-owned property upon receipt.

Status: Not implemented. See finding 02-4.

6. Revenue Maximization

A. There is no documentation to support how the amounts charged for dispatching and law enforcement services were determined. In addition, contracts for dispatching services are not current.

B. The County does not properly monitor reimbursement for projects under the Highway Planning and Construction program.

Recommendation: The County Commission:

A. Perform and document cost analysis of providing services to other entities. In addition, the County Commission should ensure all contracts are maintained on a current basis.

B. Monitor bridge project reimbursement claims to ensure claims are submitted and reimbursements are received in a timely manner.

Status:

A. Not implemented. Although not repeated in this report, the recommendation remains as stated above.

B. Implemented.

7. County Commission Minutes

A. The daily business of the County Commission is not adequately documented in the County Commission minutes. The typed minutes are not reviewed and signed by the Presiding Commissioner and the minutes are not prepared in a timely manner.

MERCER COUNTY, MISSOURI

FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)

7. County Commission Minutes, (Continued)

- B. Proper notice was not always given for the County Commission meetings as required. The County Commission does not post an agenda for meetings.
- C. The County Clerk does not prepare minutes for the closed session of meetings of the County Commission.

Recommendation: The County Commission:

- A. Ensure a complete record of the meetings is prepared and approved on a timely basis.
- B. Ensure timely, accurate, and complete notice is given for all meetings of the board as required by law.
- C. Prepare minutes for all closed meetings.

Status:

- A. Implemented.
- B. Implemented.
- C. Implemented.

8. Associate Commissioners' Salaries

Based on a Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$12,130 for the two-year term ended December 31, 2000, should be repaid.

Recommendation: The County Commission review the impact of the decision and develop a plan for obtaining repayment of the salary overpayments.

Status: Not implemented. The County Commission did review the Supreme Court decision and decided not to require repayment of the raises.

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

MERCER 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.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the County's management.

00-2 Federal Awards

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-065 (16, 17, 18, 20 and 21)
Award Year:	2000 and 1999
Questioned Costs:	\$28,200

- A. The County did not have adequate procedures in place to track federal awards for preparation of the SEFA. The schedule contained a number of errors and omissions. Some expenditures were reported in the wrong year and others were misclassified. Expenditures attributable to each individual bridge were not identified.
- B. There was no documentation that the County Commission considered other engineering firms when procuring engineering services.

Recommendation: The County Commission:

- A. And the County Clerk ensure all federal award expenditure amounts are properly recorded on the Schedule of Expenditures of Federal Awards.
- B. Resolve the questioned costs with the grantor agency. In addition, for future projects the County Commission should obtain information as required by law when contracting for professional services.

MERCER COUNTY, MISSOURI

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
IN ACCORDANCE WITH OMB CIRCULAR A-133

00-2 Federal Awards (continued)

Status:

- A. Not implemented. See finding number 02-7
- B. Not implemented. See finding number 02-7