Susan Montee, CPA
**Missouri State Auditor**

**November 2007**

# Sullivan County, Missouri

## Years Ended December 31, 2006 and 2005

Office of
Missouri State Auditor
Susan Montee, CPA

November 2007

**<u>IMPORTANT</u>: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Sullivan, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.**

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The weak financial condition of the General Revenue Fund, which was noted in the prior report, has continued to deteriorate. The County Commission is aware of the concern and is monitoring the county's financial condition through preparation and review of quarterly budget reports, but the county does not have a long-term financial plan. Expenditures are increasing due to inflation and the rising cost of equipment, supplies and fuel while revenues continue to stay stagnant as a result of the poor economy. The county has apparently not had any significant emergencies in the last several years, but also has not been able to build any reserves for the future.

The county voters have authorized three separate sales taxes under Section 67.547, RSMo and the total sales tax rates imposed under that section appear to exceed the allowable statutory maximum. Attorney General's Opinion No. 61-89 states that a county cannot enact a sales tax that exceeds one half of one percent under Section 67.547, RSMo. In their response, the 911 Board indicated they have again consulted legal counsel, who has concluded that the sales taxes as imposed by the voters are legal and valid.

Records and monitoring procedures for vehicles used by the Sheriff's department and the Road and Bridge department are not sufficient. In addition, while a review of county commission meeting minutes and bid files indicated the county bid numerous items, the county did not always solicit bids or perform other price comparison procedures for some significant purchases or retain adequate documentation of bidding activities. Also, the county's written personnel manual did not appear to comply with current practice and centralized records of accumulated leave balances were not maintained for the Sheriff's department employees.

The 911 Board did not properly bid for the purchase of its computer aided dispatch system. In addition, time cards are not always signed by employees and do not appear to support some payroll disbursements, and actual disbursements exceeded budgeted amounts.

The Health Center Board's records and procedures for capital assets need improvement and the Health Center did not always enter into written contracts when appropriate or

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YELLOW SHEET

include adequate details of the terms. In addition, the Health Center administrator's timesheets are not verified for accuracy and approved by the Board before payment, and accrued vacation and sick leave balances are not reported to employees periodically. Also, stock held since 2002 was not recorded in the financial records or budgets and not monitored by the Board.

Some weaknesses in accounting controls or procedures were also noted in the offices of Sheriff and Prosecuting Attorney.

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SULLIVAN COUNTY, MISSOURI

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**SUSAN MONTEE, CPA**
**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 Sullivan County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Sullivan County, Missouri, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Sullivan County, Missouri, as of December 31, 2006 and 2005, or the changes in its financial position for the years then ended.



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In our opinion, the 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 Sullivan 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, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 1, 2007, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Sullivan County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

Susan Montee

Susan Montee, CPA
State Auditor

August 1, 2007

The following auditors participated in the preparation of this report:

| | |
|---|---|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager: | Douglas J. Porting, CPA |
| In-Charge Auditor: | Tania Williams |
| Audit Staff: | Eartha Taylor, CPA |
| | Karla Swift |
| | Richard Stuck |

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

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

To the County Commission
and
Officeholders of Sullivan County, Missouri

We have audited the financial statements of various funds of Sullivan County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Sullivan County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.



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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Sullivan County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Sullivan County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee

Susan Montee, CPA
State Auditor

August 1, 2007

Financial Statements

Exhibit A-1

SULLIVAN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2006

| Fund | | Cash, January 1 | Receipts | Disbursements | Cash, December 31 |
|---|---|---|---|---|---|
| General Revenue | $ | 81,373 | 1,001,774 | 1,052,599 | 30,548 |
| Special Road and Bridge | | 192,594 | 606,093 | 697,108 | 101,579 |
| Assessment | | 6,310 | 124,382 | 125,355 | 5,337 |
| Law Enforcement Training | | 962 | 2,964 | 3,695 | 231 |
| Prosecuting Attorney Training | | 370 | 507 | 507 | 370 |
| Child Support Enforcement | | 5,686 | 0 | 5,686 | 0 |
| Local Emergency Planning Training | | 5,369 | 2,764 | 6,685 | 1,448 |
| Victims of Domestic Violence | | 0 | 230 | 230 | 0 |
| Prosecuting Attorney Delinquent Tax | | 190 | 165 | 0 | 355 |
| Prosecuting Attorney Bad Check | | 1,433 | 10,296 | 9,520 | 2,209 |
| Recorder's User Fee | | 12,680 | 3,871 | 801 | 15,750 |
| Sheriff's Law Enforcement | | 6,076 | 16,292 | 16,648 | 5,720 |
| Sullivan County Memorial Hospital Sales Tax | | 5,628 | 209,313 | 197,220 | 17,721 |
| Recorder's Technology | | 3,484 | 2,003 | 1,788 | 3,699 |
| Tax Maintenance | | 5,828 | 10,740 | 6,985 | 9,583 |
| Election Services | | 1,031 | 1,680 | 386 | 2,325 |
| Community Development Block Grant | | 0 | 1,500 | 1,500 | 0 |
| HAVA | | 13,212 | 141,210 | 146,685 | 7,737 |
| Health Center | | 337,770 | 522,294 | 484,939 | 375,125 |
| 911 Board | | 193,162 | 276,590 | 314,735 | 155,017 |
| Victim's Advocate | | 637 | 29,220 | 28,919 | 938 |
| FEMA/CDBG Bridge | | 0 | 436,482 | 436,482 | 0 |
| Local Emergency Planning | | 0 | 2,096 | 1,264 | 832 |
| Law Library | | 2,579 | 5,772 | 2,839 | 5,512 |
| Total | $ | 876,374 | 3,408,238 | 3,542,576 | 742,036 |

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

Exhibit A-2

SULLIVAN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2005

| Fund | | Cash, January 1 | Receipts | Disbursements | Cash, December 31 |
|---|---|---|---|---|---|
| General Revenue | $ | 26,289 | 1,057,593 | 1,002,509 | 81,373 |
| Special Road and Bridge | | 178,817 | 608,649 | 594,872 | 192,594 |
| Assessment | | 0 | 118,365 | 112,055 | 6,310 |
| Law Enforcement Training | | 1,084 | 3,199 | 3,321 | 962 |
| Prosecuting Attorney Training | | 210 | 535 | 375 | 370 |
| Child Support Enforcement | | 254 | 77,613 | 72,181 | 5,686 |
| Local Emergency Planning Training | | 10,429 | 4,891 | 9,951 | 5,369 |
| Victims of Domestic Violence | | 0 | 210 | 210 | 0 |
| Prosecuting Attorney Delinquent Tax | | 16 | 174 | 0 | 190 |
| Prosecuting Attorney Bad Check | | 28 | 5,664 | 4,259 | 1,433 |
| Recorder's User Fee | | 10,363 | 3,420 | 1,103 | 12,680 |
| Sheriff's Law Enforcement | | 3,375 | 16,586 | 13,885 | 6,076 |
| Sullivan County Memorial Hospital Sales Tax | | 472 | 215,288 | 210,132 | 5,628 |
| Recorder's Technology | | 2,648 | 1,896 | 1,060 | 3,484 |
| Tax Maintenance | | 6,342 | 7,317 | 7,831 | 5,828 |
| Election Services | | 1,830 | 714 | 1,513 | 1,031 |
| Community Development Block Grant | | 0 | 3,500 | 3,500 | 0 |
| HAVA | | 0 | 21,234 | 8,022 | 13,212 |
| Health Center | | 306,794 | 491,087 | 460,111 | 337,770 |
| 911 Board | | 177,155 | 331,968 | 315,961 | 193,162 |
| Victim's Advocate | | 0 | 5,448 | 4,811 | 637 |
| Law Library | | 416 | 4,014 | 1,851 | 2,579 |
| Total | $ | 726,522 | 2,979,365 | 2,829,513 | 876,374 |

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

Exhibit B

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

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2006 | | | 2005 | | |
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| **TOTALS - VARIOUS FUNDS** | | | | | | |
| RECEIPTS | $ 3,809,424 | 3,402,466 | (406,958) | 2,860,011 | 2,969,903 | 109,892 |
| DISBURSEMENTS | 4,015,725 | 3,539,737 | 475,988 | 2,922,894 | 2,822,851 | 100,043 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (206,301) | (137,271) | 69,030 | (62,883) | 147,052 | 209,935 |
| CASH, JANUARY 1 | 873,795 | 873,795 | 0 | 726,106 | 726,106 | 0 |
| CASH, DECEMBER 31 | 667,494 | 736,524 | 69,030 | 663,223 | 873,158 | 209,935 |
| **GENERAL REVENUE FUND** | | | | | | |
| RECEIPTS | | | | | | |
| Property taxes | 172,300 | 151,760 | (20,540) | 182,300 | 175,217 | (7,083) |
| Sales taxes | 450,000 | 413,667 | (36,333) | 400,000 | 429,683 | 29,683 |
| Intergovernmental | 55,800 | 56,831 | 1,031 | 56,100 | 56,289 | 189 |
| Charges for services | 158,700 | 126,537 | (32,163) | 113,700 | 155,917 | 42,217 |
| Interest | 6,000 | 13,145 | 7,145 | 2,000 | 4,992 | 2,992 |
| Other | 26,200 | 35,012 | 8,812 | 32,440 | 34,513 | 2,073 |
| Transfers in | 210,186 | 204,822 | (5,364) | 209,600 | 200,982 | (8,618) |
| Total Receipts | 1,079,186 | 1,001,774 | (77,412) | 996,140 | 1,057,593 | 61,453 |
| DISBURSEMENTS | | | | | | |
| County Commission | 87,120 | 85,277 | 1,843 | 86,070 | 84,568 | 1,502 |
| County Clerk | 63,910 | 63,628 | 282 | 60,360 | 60,305 | 55 |
| Elections | 63,000 | 49,355 | 13,645 | 15,000 | 13,106 | 1,894 |
| Buildings and grounds | 49,200 | 52,862 | (3,662) | 46,450 | 50,589 | (4,139) |
| Employee fringe benefit | 51,500 | 54,010 | (2,510) | 50,500 | 49,573 | 927 |
| County Treasurer | 59,500 | 59,575 | (75) | 62,800 | 62,511 | 289 |
| County Collector | 11,348 | 11,227 | 121 | 4,500 | 4,448 | 52 |
| Ex Officio Recorder of Deeds | 57,400 | 56,881 | 519 | 56,625 | 56,222 | 403 |
| Circuit Clerk | 13,100 | 10,764 | 2,336 | 13,100 | 9,954 | 3,146 |
| Court administration | 10,758 | 19,678 | (8,920) | 12,170 | 18,315 | (6,145) |
| Public Administrator | 30,945 | 30,708 | 237 | 29,700 | 29,005 | 695 |
| Sheriff | 382,200 | 379,246 | 2,954 | 335,320 | 331,153 | 4,167 |
| Jail | 75,200 | 31,332 | 43,868 | 50,500 | 78,419 | (27,919) |
| Prosecuting Attorney | 59,700 | 59,137 | 563 | 57,934 | 57,957 | (23) |
| Juvenile Officer | 15,291 | 8,382 | 6,909 | 15,293 | 7,603 | 7,690 |
| County Coroner | 20,775 | 18,105 | 2,670 | 17,933 | 19,118 | (1,185) |
| Other | 60,360 | 59,429 | 931 | 58,287 | 57,420 | 867 |
| Transfers out | 9,750 | 2,783 | 6,967 | 19,700 | 12,200 | 7,500 |
| Emergency Fund | 33,000 | 220 | 32,780 | 30,000 | 43 | 29,957 |
| Total Disbursements | 1,154,057 | 1,052,599 | 101,458 | 1,022,242 | 1,002,509 | 19,733 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (74,871) | (50,825) | 24,046 | (26,102) | 55,084 | 81,186 |
| CASH, JANUARY 1 | 81,373 | 81,373 | 0 | 26,289 | 26,289 | 0 |
| CASH, DECEMBER 31 | 6,502 | 30,548 | 24,046 | 187 | 81,373 | 81,186 |

Exhibit B

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

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2006 | | | 2005 | | |
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| **SPECIAL ROAD AND BRIDGE FUND** | | | | | | |
| RECEIPTS | | | | | | |
| Intergovernmental | 988,000 | 590,906 | (397,094) | 658,038 | 594,608 | (63,430) |
| Charges for services | 3,000 | 2,727 | (273) | 3,000 | 4,073 | 1,073 |
| Interest | 11,000 | 12,079 | 1,079 | 4,000 | 9,553 | 5,553 |
| Other | 500 | 381 | (119) | 1,000 | 415 | (585) |
| Total Receipts | 1,002,500 | 606,093 | (396,407) | 666,038 | 608,649 | (57,389) |
| DISBURSEMENTS | | | | | | |
| Salaries | 130,104 | 127,722 | 2,382 | 127,604 | 129,604 | (2,000) |
| Employee fringe benefit | 29,100 | 29,412 | (312) | 26,300 | 25,252 | 1,048 |
| Supplies | 31,200 | 52,162 | (20,962) | 15,500 | 19,668 | (4,168) |
| Insurance | 7,000 | 7,006 | (6) | 7,000 | 6,720 | 280 |
| Road and bridge materials | 160,000 | 166,429 | (6,429) | 120,000 | 119,928 | 72 |
| Equipment repairs | 5,000 | 5,622 | (622) | 10,000 | 4,927 | 5,073 |
| Equipment purchases | 43,000 | 30,538 | 12,462 | 15,200 | 16,886 | (1,686) |
| Construction, repair, and maintenance | 625,700 | 229,343 | 396,357 | 280,000 | 229,957 | 50,043 |
| Other | 19,200 | 18,874 | 326 | 19,000 | 15,930 | 3,070 |
| Transfers out | 30,000 | 30,000 | 0 | 26,000 | 26,000 | 0 |
| Total Disbursements | 1,080,304 | 697,108 | 383,196 | 646,604 | 594,872 | 51,732 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (77,804) | (91,015) | (13,211) | 19,434 | 13,777 | (5,657) |
| CASH, JANUARY 1 | 192,594 | 192,594 | 0 | 178,817 | 178,817 | 0 |
| CASH, DECEMBER 31 | 114,790 | 101,579 | (13,211) | 198,251 | 192,594 | (5,657) |
| **ASSESSMENT FUND** | | | | | | |
| RECEIPTS | | | | | | |
| Intergovernmental | 110,618 | 117,739 | 7,121 | 102,000 | 116,686 | 14,686 |
| Charges for services | 700 | 0 | (700) | 428 | 668 | 240 |
| Interest | 1,010 | 1,706 | 696 | 100 | 1,001 | 901 |
| Other | 0 | 2,737 | 2,737 | 0 | 10 | 10 |
| Transfers in | 9,000 | 2,200 | (6,800) | 9,700 | 0 | (9,700) |
| Total Receipts | 121,328 | 124,382 | 3,054 | 112,228 | 118,365 | 6,137 |
| DISBURSEMENTS | | | | | | |
| Assessor | 34,000 | 34,000 | 0 | 34,000 | 34,000 | 0 |
| Deputy and clerical annual salaries | 36,378 | 36,378 | 0 | 35,378 | 46,377 | (10,999) |
| Fringe benefits | 6,800 | 6,900 | (100) | 9,100 | 7,411 | 1,689 |
| Office supplies | 2,300 | 2,316 | (16) | 1,500 | 1,261 | 239 |
| Equipment | 26,460 | 26,082 | 378 | 3,300 | 6,101 | (2,801) |
| Mileage and training | 3,100 | 1,856 | 1,244 | 3,100 | 3,041 | 59 |
| Map maintenance | 700 | 698 | 2 | 700 | 699 | 1 |
| Telephone | 2,300 | 2,263 | 37 | 2,100 | 2,153 | (53) |
| Health insurance | 13,000 | 12,402 | 598 | 12,200 | 8,885 | 3,315 |
| Postage | 2,600 | 2,460 | 140 | 2,600 | 2,127 | 473 |
| Part-time data entry clerk | 0 | 0 | 0 | 8,250 | 0 | 8,250 |
| Total Disbursements | 127,638 | 125,355 | 2,283 | 112,228 | 112,055 | 173 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (6,310) | (973) | 5,337 | 0 | 6,310 | 6,310 |
| CASH, JANUARY 1 | 6,310 | 6,310 | 0 | 0 | 0 | 0 |
| CASH, DECEMBER 31 | 0 | 5,337 | 5,337 | 0 | 6,310 | 6,310 |

Exhibit B

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

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2006 | | | 2005 | | |
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| **LAW ENFORCEMENT TRAINING FUND** | | | | | | |
| RECEIPTS | | | | | | |
| Intergovernmental | 1,100 | 928 | (172) | 1,000 | 1,066 | 66 |
| Charges for services | 2,100 | 2,036 | (64) | 2,100 | 2,049 | (51) |
| Other | 100 | 0 | (100) | 0 | 84 | 84 |
| Total Receipts | 3,300 | 2,964 | (336) | 3,100 | 3,199 | 99 |
| DISBURSEMENTS | | | | | | |
| Tuition | 1,600 | 350 | 1,250 | 500 | 1,647 | (1,147) |
| Mileage | 2,000 | 3,345 | (1,345) | 3,000 | 841 | 2,159 |
| Other | 600 | 0 | 600 | 600 | 833 | (233) |
| Total Disbursements | 4,200 | 3,695 | 505 | 4,100 | 3,321 | 779 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (900) | (731) | 169 | (1,000) | (122) | 878 |
| CASH, JANUARY 1 | 962 | 962 | 0 | 1,084 | 1,084 | 0 |
| CASH, DECEMBER 31 | 62 | 231 | 169 | 84 | 962 | 878 |
| **PROSECUTING ATTORNEY TRAINING FUND** | | | | | | |
| RECEIPTS | | | | | | |
| Charges for services | 600 | 507 | (93) | 530 | 535 | 5 |
| Total Receipts | 600 | 507 | (93) | 530 | 535 | 5 |
| DISBURSEMENTS | | | | | | |
| Tuition | 200 | 0 | 200 | 200 | 0 | 200 |
| Mileage | 400 | 507 | (107) | 430 | 0 | 430 |
| Other | 350 | 0 | 350 | 100 | 375 | (275) |
| Total Disbursements | 950 | 507 | 443 | 730 | 375 | 355 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (350) | 0 | 350 | (200) | 160 | 360 |
| CASH, JANUARY 1 | 370 | 370 | 0 | 210 | 210 | 0 |
| CASH, DECEMBER 31 | 20 | 370 | 350 | 10 | 370 | 360 |
| **CHILD SUPPORT ENFORCEMENT FUND** | | | | | | |
| RECEIPTS | | | | | | |
| Intergovernmental | 2,500 | 0 | (2,500) | 121,000 | 66,461 | (54,539) |
| Other | 0 | 0 | 0 | 0 | 1,152 | 1,152 |
| Transfers in | 0 | 0 | 0 | 10,000 | 10,000 | 0 |
| Total Receipts | 2,500 | 0 | (2,500) | 131,000 | 77,613 | (53,387) |
| DISBURSEMENTS | | | | | | |
| Salaries | 0 | 0 | 0 | 92,660 | 46,419 | 46,241 |
| Office expenses | 0 | 0 | 0 | 9,500 | 6,752 | 2,748 |
| Equipment | 0 | 0 | 0 | 4,800 | 2,230 | 2,570 |
| Training and mileage | 0 | 0 | 0 | 6,000 | 2,280 | 3,720 |
| Audit expense | 0 | 0 | 0 | 2,000 | 2,500 | (500) |
| Other | 0 | 0 | 0 | 4,200 | 0 | 4,200 |
| Transfers out | 8,186 | 5,686 | 2,500 | 12,000 | 12,000 | 0 |
| Total Disbursements | 8,186 | 5,686 | 2,500 | 131,160 | 72,181 | 58,979 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (5,686) | (5,686) | 0 | (160) | 5,432 | 5,592 |
| CASH, JANUARY 1 | 5,686 | 5,686 | 0 | 254 | 254 | 0 |
| CASH, DECEMBER 31 | 0 | 0 | 0 | 94 | 5,686 | 5,592 |

Exhibit B

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

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2006 | | | 2005 | | |
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| **LOCAL EMERGENCY PLANNING TRAINING** | | | | | | |
| RECEIPTS | | | | | | |
| Intergovernmental | 2,600 | 2,469 | (131) | 5,000 | 4,487 | (513) |
| Interest | 400 | 190 | (210) | 150 | 371 | 221 |
| Other | 100 | 105 | 5 | 0 | 33 | 33 |
| Total Receipts | 3,100 | 2,764 | (336) | 5,150 | 4,891 | (259) |
| DISBURSEMENTS | | | | | | |
| Training | 5,000 | 4,800 | 200 | 6,000 | 5,583 | 417 |
| Other | 3,036 | 1,885 | 1,151 | 9,500 | 4,368 | 5,132 |
| Total Disbursements | 8,036 | 6,685 | 1,351 | 15,500 | 9,951 | 5,549 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (4,936) | (3,921) | 1,015 | (10,350) | (5,060) | 5,290 |
| CASH, JANUARY 1 | 5,369 | 5,369 | 0 | 10,429 | 10,429 | 0 |
| CASH, DECEMBER 31 | 433 | 1,448 | 1,015 | 79 | 5,369 | 5,290 |
| **VICTIMS OF DOMESTIC VIOLENCE** | | | | | | |
| RECEIPTS | | | | | | |
| Charges for services | 350 | 230 | (120) | 400 | 210 | (190) |
| Total Receipts | 350 | 230 | (120) | 400 | 210 | (190) |
| DISBURSEMENTS | | | | | | |
| Other | 350 | 230 | 120 | 400 | 210 | 190 |
| Total Disbursements | 350 | 230 | 120 | 400 | 210 | 190 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0 | 0 | 0 | 0 | 0 | 0 |
| CASH, JANUARY 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| CASH, DECEMBER 31 | 0 | 0 | 0 | 0 | 0 | 0 |
| **PROSECUTING ATTORNEY DELINQUENT TAX FUND** | | | | | | |
| RECEIPTS | | | | | | |
| Intergovernmental | 300 | 165 | (135) | 200 | 174 | (26) |
| Total Receipts | 300 | 165 | (135) | 200 | 174 | (26) |
| DISBURSEMENTS | | | | | | |
| Other | 470 | 0 | 470 | 200 | 0 | 200 |
| Total Disbursements | 470 | 0 | 470 | 200 | 0 | 200 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (170) | 165 | 335 | 0 | 174 | 174 |
| CASH, JANUARY 1 | 190 | 190 | 0 | 16 | 16 | 0 |
| CASH, DECEMBER 31 | 20 | 355 | 335 | 16 | 190 | 174 |
| **PROSECUTING ATTORNEY BAD CHECK FUND** | | | | | | |
| RECEIPTS | | | | | | |
| Charges for services | 9,000 | 10,082 | 1,082 | 8,000 | 5,664 | (2,336) |
| Interest | 0 | 214 | 214 | 0 | 0 | 0 |
| Total Receipts | 9,000 | 10,296 | 1,296 | 8,000 | 5,664 | (2,336) |
| DISBURSEMENTS | | | | | | |
| Other | 9,600 | 9,520 | 80 | 8,000 | 4,259 | 3,741 |
| Total Disbursements | 9,600 | 9,520 | 80 | 8,000 | 4,259 | 3,741 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (600) | 776 | 1,376 | 0 | 1,405 | 1,405 |
| CASH, JANUARY 1 | 1,433 | 1,433 | 0 | 28 | 28 | 0 |
| CASH, DECEMBER 31 | 833 | 2,209 | 1,376 | 28 | 1,433 | 1,405 |

Exhibit B

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

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2006 | | | 2005 | | |
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| **RECORDER'S USER FEE FUND** | | | | | | |
| RECEIPTS | | | | | | |
| Charges for services | 3,000 | 3,028 | 28 | 3,200 | 2,966 | (234) |
| Interest | 600 | 843 | 243 | 200 | 454 | 254 |
| Total Receipts | 3,600 | 3,871 | 271 | 3,400 | 3,420 | 20 |
| DISBURSEMENTS | | | | | | |
| Other | 16,200 | 801 | 15,399 | 13,725 | 1,103 | 12,622 |
| Total Disbursements | 16,200 | 801 | 15,399 | 13,725 | 1,103 | 12,622 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (12,600) | 3,070 | 15,670 | (10,325) | 2,317 | 12,642 |
| CASH, JANUARY 1 | 12,680 | 12,680 | 0 | 10,363 | 10,363 | 0 |
| CASH, DECEMBER 31 | 80 | 15,750 | 15,670 | 38 | 12,680 | 12,642 |
| **SHERIFF'S LAW ENFORCEMENT FUND** | | | | | | |
| RECEIPTS | | | | | | |
| Charges for services | 18,000 | 15,360 | (2,640) | 15,500 | 15,009 | (491) |
| Interest | 250 | 441 | 191 | 100 | 163 | 63 |
| Other | 1,000 | 491 | (509) | 300 | 1,414 | 1,114 |
| Total Receipts | 19,250 | 16,292 | (2,958) | 15,900 | 16,586 | 686 |
| DISBURSEMENTS | | | | | | |
| Equipment | 12,000 | 8,700 | 3,300 | 9,000 | 8,235 | 765 |
| Uniforms | 2,000 | 1,257 | 743 | 2,000 | 860 | 1,140 |
| Other | 10,000 | 6,691 | 3,309 | 8,250 | 4,790 | 3,460 |
| Total Disbursements | 24,000 | 16,648 | 7,352 | 19,250 | 13,885 | 5,365 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (4,750) | (356) | 4,394 | (3,350) | 2,701 | 6,051 |
| CASH, JANUARY 1 | 6,076 | 6,076 | 0 | 3,375 | 3,375 | 0 |
| CASH, DECEMBER 31 | 1,326 | 5,720 | 4,394 | 25 | 6,076 | 6,051 |
| **SULLIVAN COUNTY MEMORIAL HOSPITAL SALES TAX FUND** | | | | | | |
| RECEIPTS | | | | | | |
| Sales tax | 225,000 | 206,603 | (18,397) | 200,000 | 214,812 | 14,812 |
| Interest | 500 | 1,210 | 710 | 200 | 476 | 276 |
| Other | 0 | 1,500 | 1,500 | 0 | 0 | 0 |
| Total Receipts | 225,500 | 209,313 | (16,187) | 200,200 | 215,288 | 15,088 |
| DISBURSEMENTS | | | | | | |
| Capital improvements | 231,000 | 197,220 | 33,780 | 200,650 | 210,132 | (9,482) |
| Total Disbursements | 231,000 | 197,220 | 33,780 | 200,650 | 210,132 | (9,482) |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (5,500) | 12,093 | 17,593 | (450) | 5,156 | 5,606 |
| CASH, JANUARY 1 | 5,628 | 5,628 | 0 | 472 | 472 | 0 |
| CASH, DECEMBER 31 | 128 | 17,721 | 17,593 | 22 | 5,628 | 5,606 |

Exhibit B

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

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2006 | | | 2005 | | |
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| **RECORDER'S TECHNOLOGY FUND** | | | | | | |
| RECEIPTS | | | | | | |
| Charges for services | 2,000 | 1,835 | (165) | 1,960 | 1,801 | (159) |
| Interest | 100 | 168 | 68 | 40 | 95 | 55 |
| Total Receipts | 2,100 | 2,003 | (97) | 2,000 | 1,896 | (104) |
| DISBURSEMENTS | | | | | | |
| Other | 1,800 | 1,788 | 12 | 4,600 | 1,060 | 3,540 |
| Total Disbursements | 1,800 | 1,788 | 12 | 4,600 | 1,060 | 3,540 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 300 | 215 | (85) | (2,600) | 836 | 3,436 |
| CASH, JANUARY 1 | 3,484 | 3,484 | 0 | 2,648 | 2,648 | 0 |
| CASH, DECEMBER 31 | 3,784 | 3,699 | (85) | 48 | 3,484 | 3,436 |
| **TAX MAINTENANCE FUND** | | | | | | |
| RECEIPTS | | | | | | |
| Charges for services | 7,000 | 10,212 | 3,212 | 6,500 | 7,017 | 517 |
| Interest | 400 | 528 | 128 | 0 | 300 | 300 |
| Total Receipts | 7,400 | 10,740 | 3,340 | 6,500 | 7,317 | 817 |
| DISBURSEMENTS | | | | | | |
| Training | 3,500 | 6,985 | (3,485) | 3,000 | 7,831 | (4,831) |
| Office expense | 3,000 | 0 | 3,000 | 9,500 | 0 | 9,500 |
| Total Disbursements | 6,500 | 6,985 | (485) | 12,500 | 7,831 | 4,669 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 900 | 3,755 | 2,855 | (6,000) | (514) | 5,486 |
| CASH, JANUARY 1 | 5,828 | 5,828 | 0 | 6,342 | 6,342 | 0 |
| CASH, DECEMBER 31 | 6,728 | 9,583 | 2,855 | 342 | 5,828 | 5,486 |
| **ELECTION SERVICES FUND** | | | | | | |
| RECEIPTS | | | | | | |
| Charges for services | 2,800 | 1,610 | (1,190) | 800 | 664 | (136) |
| Interest | 60 | 70 | 10 | 20 | 50 | 30 |
| Total Receipts | 2,860 | 1,680 | (1,180) | 820 | 714 | (106) |
| DISBURSEMENTS | | | | | | |
| Mileage and training | 800 | 386 | 414 | 2,200 | 76 | 2,124 |
| Equipment | 3,000 | 0 | 3,000 | 0 | 1,437 | (1,437) |
| Other | 0 | 0 | 0 | 400 | 0 | 400 |
| Total Disbursements | 3,800 | 386 | 3,414 | 2,600 | 1,513 | 1,087 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (940) | 1,294 | 2,234 | (1,780) | (799) | 981 |
| CASH, JANUARY 1 | 1,031 | 1,031 | 0 | 1,830 | 1,830 | 0 |
| CASH, DECEMBER 31 | 91 | 2,325 | 2,234 | 50 | 1,031 | 981 |

Exhibit B

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

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2006 | | | 2005 | | |
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| **COMMUNITY DEVELOPMENT BLOCK GRANT FUND** | | | | | | |
| RECEIPTS | | | | | | |
| Intergovernmental | 1,500 | 1,500 | 0 | 5,000 | 3,500 | (1,500) |
| Total Receipts | 1,500 | 1,500 | 0 | 5,000 | 3,500 | (1,500) |
| DISBURSEMENTS | | | | | | |
| Administration | 1,500 | 1,500 | 0 | 1,000 | 0 | 1,000 |
| Housing study | 0 | 0 | 0 | 4,000 | 3,500 | 500 |
| Total Disbursements | 1,500 | 1,500 | 0 | 5,000 | 3,500 | 1,500 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0 | 0 | 0 | 0 | 0 | 0 |
| CASH, JANUARY 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| CASH, DECEMBER 31 | 0 | 0 | 0 | 0 | 0 | 0 |
| **HAVA FUND** | | | | | | |
| RECEIPTS | | | | | | |
| Intergovernmental | 139,750 | 139,750 | 0 | 20,000 | 20,494 | 494 |
| Interest | 1,000 | 1,320 | 320 | 0 | 595 | 595 |
| Other | 200 | 140 | (60) | 0 | 145 | 145 |
| Total Receipts | 140,950 | 141,210 | 260 | 20,000 | 21,234 | 1,234 |
| DISBURSEMENTS | | | | | | |
| Election | 14,000 | 5,076 | 8,924 | 20,000 | 8,022 | 11,978 |
| Equipment | 139,750 | 141,124 | (1,374) | 0 | 0 | 0 |
| Other | 0 | 485 | (485) | 0 | 0 | 0 |
| Total Disbursements | 153,750 | 146,685 | 7,065 | 20,000 | 8,022 | 11,978 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (12,800) | (5,475) | 7,325 | 0 | 13,212 | 13,212 |
| CASH, JANUARY 1 | 13,212 | 13,212 | 0 | 0 | 0 | 0 |
| CASH, DECEMBER 31 | 412 | 7,737 | 7,325 | 0 | 13,212 | 13,212 |
| **HEALTH CENTER FUND** | | | | | | |
| RECEIPTS | | | | | | |
| Property taxes | 163,000 | 169,847 | 6,847 | 170,000 | 163,421 | (6,579) |
| Intergovernmental | 141,895 | 141,272 | (623) | 150,155 | 157,316 | 7,161 |
| Charges for services | 142,000 | 157,613 | 15,613 | 140,000 | 140,964 | 964 |
| Interest | 10,000 | 27,588 | 17,588 | 10,000 | 15,169 | 5,169 |
| Other | 21,176 | 25,974 | 4,798 | 13,250 | 14,217 | 967 |
| Total Receipts | 478,071 | 522,294 | 44,223 | 483,405 | 491,087 | 7,682 |
| DISBURSEMENTS | | | | | | |
| Salaries and benefits | 418,784 | 428,140 | (9,356) | 390,089 | 402,687 | (12,598) |
| Office | 28,700 | 28,765 | (65) | 29,250 | 30,437 | (1,187) |
| Equipment | 1,500 | 444 | 1,056 | 5,000 | 423 | 4,577 |
| Mileage and training | 19,611 | 16,435 | 3,176 | 15,400 | 17,947 | (2,547) |
| Other | 6,500 | 11,155 | (4,655) | 13,000 | 8,617 | 4,383 |
| Emergency | 0 | 0 | 0 | 30,666 | 0 | 30,666 |
| Total Disbursements | 475,095 | 484,939 | (9,844) | 483,405 | 460,111 | 23,294 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 2,976 | 37,355 | 34,379 | 0 | 30,976 | 30,976 |
| CASH, JANUARY 1 | 337,770 | 337,770 | 0 | 306,794 | 306,794 | 0 |
| CASH, DECEMBER 31 | 340,746 | 375,125 | 34,379 | 306,794 | 337,770 | 30,976 |

Exhibit B

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

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2006 | | | 2005 | | |
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| **911 BOARD FUND** | | | | | | |
| RECEIPTS | | | | | | |
| Sales tax | 225,000 | 206,696 | (18,304) | 195,700 | 214,829 | 19,129 |
| Intergovernmental | 0 | 63,150 | 63,150 | 0 | 111,810 | 111,810 |
| Charges for services | 0 | 1,186 | 1,186 | 0 | 0 | 0 |
| Interest | 0 | 5,403 | 5,403 | 4,000 | 4,913 | 913 |
| Other | 0 | 155 | 155 | 300 | 416 | 116 |
| Total Receipts | 225,000 | 276,590 | 51,590 | 200,000 | 331,968 | 131,968 |
| DISBURSEMENTS | | | | | | |
| Material & labor | 3,600 | 3,242 | 358 | 3,000 | 3,261 | (261) |
| Line maintenance telephone | 30,000 | 28,636 | 1,364 | 30,000 | 27,693 | 2,307 |
| Office equipment and supplies | 1,000 | 1,409 | (409) | 2,000 | 571 | 1,429 |
| Training | 5,000 | 6,741 | (1,741) | 5,000 | 1,055 | 3,945 |
| Radio improvement/maintenance | 2,000 | 2,205 | (205) | 5,000 | 901 | 4,099 |
| Insurance | 6,000 | 2,241 | 3,759 | 5,000 | 5,148 | (148) |
| Miscellaneous | 9,500 | 11,335 | (1,835) | 0 | 3,806 | (3,806) |
| Advertising | 300 | 240 | 60 | 0 | 234 | (234) |
| Equipment | 0 | 89,550 | (89,550) | 0 | 110,310 | (110,310) |
| Transfers out | 170,000 | 169,136 | 864 | 170,000 | 162,982 | 7,018 |
| Total Disbursements | 227,400 | 314,735 | (87,335) | 220,000 | 315,961 | (95,961) |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (2,400) | (38,145) | (35,745) | (20,000) | 16,007 | 36,007 |
| CASH, JANUARY 1 | 193,162 | 193,162 | 0 | 177,155 | 177,155 | 0 |
| CASH, DECEMBER 31 | $ 190,762 | 155,017 | (35,745) | 157,155 | 193,162 | 36,007 |
| **VICTIM'S ADVOCATE FUND** | | | | | | |
| RECEIPTS | | | | | | |
| Intergovernmental | 26,750 | 26,682 | (68) | | | |
| Donations | 2,500 | 1,955 | (545) | | | |
| Transfers in | 0 | 583 | 583 | | | |
| Total Receipts | 29,250 | 29,220 | (30) | | | |
| DISBURSEMENTS | | | | | | |
| Salaries | 26,163 | 26,143 | 20 | | | |
| Office and equipment | 2,969 | 2,776 | 193 | | | |
| Total Disbursements | 29,132 | 28,919 | 213 | | | |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 118 | 301 | 183 | | | |
| CASH, JANUARY 1 | 637 | 637 | 0 | | | |
| CASH, DECEMBER 31 | 755 | 938 | 183 | | | |
| **FEMA/CDBG BRIDGE FUND** | | | | | | |
| RECEIPTS | | | | | | |
| Intergovernmental | 449,657 | 436,482 | (13,175) | | | |
| Interest | 0 | 0 | 0 | | | |
| Total Receipts | 449,657 | 436,482 | (13,175) | | | |
| DISBURSEMENTS | | | | | | |
| Bridge replacement | 449,657 | 436,482 | 13,175 | | | |
| Total Disbursements | 449,657 | 436,482 | 13,175 | | | |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0 | 0 | 0 | | | |
| CASH, JANUARY 1 | 0 | 0 | 0 | | | |
| CASH, DECEMBER 31 | 0 | 0 | 0 | | | |

Exhibit B

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

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2006 | | | 2005 | | |
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| **LOCAL EMERGENCY PLANNING FUND** | | | | | | |
| RECEIPTS | | | | | | |
| Intergovernmental | 2,072 | 2,036 | (36) | | | |
| Interest | 50 | 60 | 10 | | | |
| Total Receipts | 2,122 | 2,096 | (26) | | | |
| DISBURSEMENTS | | | | | | |
| Equipment | 2,000 | 1,186 | 814 | | | |
| Other | 100 | 78 | 22 | | | |
| Total Disbursements | 2,100 | 1,264 | 836 | | | |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 22 | 832 | 810 | | | |
| CASH, JANUARY 1 | 0 | 0 | 0 | | | |
| CASH, DECEMBER 31 | 22 | 832 | 810 | | | |

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

Notes to the Financial Statements

SULLIVAN COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Sullivan 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, the Health Center Board, or the 911 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, 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:

| Fund | Years Ended December 31, |
|---|---|
| Law Library Fund | 2006 and 2005 |
| Victim's Advocate Fund | 2005 |

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

| Fund | Years Ended December 31, |
|---|---|

| | |
|---|---|
| Tax Maintenance Fund | 2006 |
| Health Center Fund | 2006 |
| 911 Board Fund | 2006 and 2005 |
| Sullivan County Memorial Hospital Sales Tax Fund | 2005 |

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, 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:

| Fund | Years Ended December 31, |
|---|---|
| Law Library Fund | 2006 and 2005 |
| Victim Advocate Fund | 2005 |

The Health Center Board and 911 Board published their own financial statements separately from the county's statements. However, the Health Center board's published financial statements for the years ended December 31, 2006 and 2005, did not disclose disbursement detail by vendor for the Health Center Fund. In addition, the 911 board's published financial statements for the years ended December 31, 2006 and 2005, did not disclose beginning and ending balances for the 911Board Fund.

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. 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. Cash includes both deposits and investments.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Sullivan County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's, Health Center Board's, and 911 Board's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the county's or the boards' custodial bank in the county's or the boards' name.

Investments

Section 110.270, RSMo, 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. At December 31, 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary 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 adopted such a policy.

The county's only investment is corporate stock recorded in the Health Center Fund. At December 31, 2006 and 2005, the fair values of the corporate stock held by the Health Center Fund were $63,455 and $51,272, respectively and the original cost cannot be determined.

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the size of the county's investment in a single issuer. The Health Center's investments at December 31, 2006 and 2005, were exposed to concentration of credit risk because they were all invested in the same issuer.

Custodial credit risk: Custodial credit risk is the risk that, if the counterparty to an investment transaction fails, Sullivan County will not be able to recover the investment's value or collateral securities that are in an outside party's possession. The Health Center's investments at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were held by the issuer, registered in the Health Center's name.

Supplementary Schedule

Schedule

SULLIVAN 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, 2006 | 2005 |
|---|---|---|---|---|
| | U. S. DEPARTMENT OF AGRICULTURE | | | |
| | Passed through state | | | |
| | Department of Social Services - | | | |
| 10.550 | Food Donation | N/A | $ 448 | 302 |
| | Department of Health and Senior Services - | | | |
| 10.557 | Special Supplemental Nutrition Program for Women, Infants, and Children | 3M0700704 | 26,854 | 35,461 |
| | U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | |
| | Passed through state Department of Economic Development | | | |
| 14.228 | Community Development Block Grants/State's Program | 00-EM-001 | 1,500 | 3,500 |
| | | 2004-PF-560 | 99,540 | 0 |
| | Program total | | 101,040 | 3,500 |
| | U.S. DEPARTMENT OF JUSTICE | | | |
| | Direct program: | | | |
| 16.710 | Public Safety Partnership and Community Policing Grant | N/A | 0 | 600 |
| | Passed through: | | | |
| | State Department of Public Safety | | | |
| 16.575 | Crime Victim Assistance | 2005-VOCA-0069 | 29,959 | 2,153 |
| | Missouri Sheriffs' Association - | | | |
| 16 | Domestic Cannabis Eradication/Suppression Program | N/A | 1,056 | 1,505 |
| | U. S. DEPARTMENT OF TRANSPORTATION | | | |
| | Passed through state Department of Public Safety | | | |
| 20.703 | Interagency Hazardous Materials Public Sector Training and Planning Grants | N/A | 0 | 4,072 |
| | GENERAL SERVICES ADMINISTRATION | | | |
| | Passed through state Office of Secretary of State | | | |
| 39.011 | Election Reform Payments | 47-0601-0-1-808 | 0 | 15,000 |
| | ELECTIONS ASSISTANCE COMMISSION | | | |
| | Passed through state Office of Secretary of State | | | |
| 90.401 | Help America Vote Act Requirements Payment | 95-1650-0-1-808 | 136,500 | 5,494 |

Schedule

SULLIVAN 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, 2006 | 2005 |
|---|---|---|---|---|
| | U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| | Passed through state | | | |
| | Department of Health and Senior Services - | | | |
| 93.197 | Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | CCU722882-03 | 1,500 | 995 |
| 93.268 | Immunization Grants | N/A | 23,188 | 18,893 |
| 93.283 | Centers for Disease Control and Prevention Investigations and Technical Assistance | U90/CCU716971B | 8,013 | 3,740 |
| 93.557 | Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth | N/A | 1895 | 0 |
| | Department of Social Services - | | | |
| 93.563 | Child Support Enforcement | N/A | 0 | 43,864 |
| | Department of Health and Senior Services - | | | |
| 93.575 | Child Care and Development Block Grant | PGA06-5206S | 615 | 480 |
| | Department of Social Services - | | | |
| 93.617 | Voting Access for Individuals with Disabilities | 47-0601-0-1-808 | 3,250 | 0 |
| | Department of Health and Senior Services | | | |
| 93.994 | Maternal and Child Health Services Block Grant to the States | 1B04MC04284-01 | 21,212 | 19,476 |
| | U.S. DEPARTMENT OF HOMELAND SECURITY | | | |
| | Passed through state Department of Public Safety | | | |
| 97.004 | State Domestic Preparedness Equipment Support Program | 2003-MU-T3-0003 | 0 | 92,970 |
| | | 2004-GE-T4-0049 | 0 | 18,840 |
| | | 2005-GE-T5-0022 | 121,550 | 0 |
| | Program total | | 121,550 | 111,810 |
| 97.017 | Pre-Disaster Mitigation Competitive Grant | EMK-2005-PCC | 336,942 | 0 |
| | Total Expenditures of Federal Awards | | $ 814,022 | 267,345 |

N/A - Not applicable

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

Notes to the Supplementary Schedule

SULLIVAN 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 Sullivan 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 Food Donation Program (CFDA number 10.550) represent the dollar value assigned to the commodities based on prices provided by the state Department of Social Services.

Amounts for the Immunization Grants (CFDA number 93.268) represent the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

Amounts for the State Domestic Preparedness Equipment Support Program (CFDA number 97.004) represent both cash disbursements and the estimated fair market value of equipment received.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided $3,840 to a subrecipient under the State Domestic Preparedness Equipment Support Program (CFDA number 97.004) during the year ended December 31, 2005.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

**SUSAN MONTEE, CPA**
**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 Sullivan County, Missouri

Compliance

We have audited the compliance of Sullivan 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, 2006 and 2005. 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.

As described in item 06-1 in the accompanying Schedule of Findings and Questioned Costs, the Sullivan County, Missouri, 911Board did not comply with requirements regarding procurement, suspension, and debarment that are applicable to its State Domestic Preparedness Equipment Support Program. Compliance with such requirements is necessary, in our opinion, for the Sullivan County, Missouri, 911 Board to comply with the requirements applicable to that program.



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In our opinion, except for the noncompliance described in the preceding paragraph, Sullivan County 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, 2006 and 2005.

Internal Control Over Compliance

The management of Sullivan 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The response of Sullivan County, Missouri, to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the management of Sullivan County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee

Susan Montee, CPA
State Auditor

August 1, 2007

Schedule

SULLIVAN COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2006 AND 2005

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? ______ yes __x__ no

- Significant deficiencies identified that are not considered to be material weaknesses? ______ yes __x__ none reported

Noncompliance material to the financial statements noted? ______ yes __x__ no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? ______ yes __x__ no

- Significant deficiencies identified that are not considered to be material weaknesses? ______ yes __x__ none reported

Type of auditor's report issued on compliance for major programs: Unqualified for all major programs, except CFDA Number 97.004, which was 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:

| CFDA or Other Identifying Number | Program Title |
|---|---|
| 14.228 | Community Development Block Grants/State's Program |
| 97.004 | State Domestic Preparedness Equipment Support Program |

| | |
|---|---|
| 97.017 | Pre-Disaster Mitigation Competitive Grants Program |

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 no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

**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.

**06-1. 911 Board Grants**

| | |
|---|---|
| Federal Grantor: | U.S. Department of Homeland Security |
| Pass-Through Grantor: | Department of Public Safety |
| Federal CFDA Number: | 97.004 |
| Program Title: | State Domestic Preparedness Equipment Support Program |
| Pass-Through Entity Identifying Number: | 2003-MU-T3-003<br>2004-GE-T4-0049<br>2005-GE-T5-0022 |
| Award Years: | 2006 and 2005 |
| Questioned Costs: | $92,970 |

The 911 Board did not properly bid for its computer aided dispatch system (CAD). During 2005 and 2006, the 911 Board received three grants under the State Domestic Preparedness Equipment Support Program totaling $233,360. Through these grants, the county received a fingerprint scanner costing $32,000 and purchased a computer aided dispatch system (CAD), portable radios, a radio repeater system, and a thermal imaging camera with the other $201,360 in grant funds received. Some of the equipment was provided to other local emergency service entities.

Our review of these grants noted that the 911 Board's documentation of its compliance with federal competitive procurement requirements on the CAD system grant, totaling $92,970, was inadequate. In May 2004, the board applied for grant funding for the expected cost of the CAD system totaling $100,000 and in April 2005 the Department of Public Safety approved the grant, with the equipment being purchased and installed in June 2005. An undated memo in the grant file prepared by the 911 Coordinator summarized timing issues related to the grant application and her efforts to obtain cost information for preparing the application.

According to the memo, at the time the coordinator became aware of the availability of the grant, there was only 1 day left prior to the program's grant application deadline. The memo mentioned prior informal contacts the board had with Southwestern Bell and another unnamed out of state vendor, both of which had indicated their systems started at more than $100,000; however, no specifics as to the contacts' names, phone numbers, or dates were included. When notified of the possible grant, the coordinator then contacted the vendor that had supplied a CAD system to the Kirksville Police Department, with which the coordinator had some prior experience. That vendor provided a verbal quote of approximately $50,000 for a base system. The memo provides no documentation as to how this verbal quote relates to the $100,000 on the grant application or the $92,970 actually spent. Due to the limited time frame for submitting the grant application, the board's efforts to obtain preliminary cost information for applying for the grant appears reasonable. However, once the grant was approved, the board should have developed detailed system requirements and utilized a competitive procurement process prior to expending the grant funds, as required by the federal program guidelines.

OMB Circular A-102, Common Rule, requires local governments to follow applicable procurement laws. Section 50.660, RSMo, requires the advertisement for bids for all purchases of $4,500 or more from any one person, firm, or corporation during any period of 90 days. Documentation of the various proposals received, and the county selection process and criteria should be retained to demonstrate compliance with the law and support decisions made. If bids cannot be obtained due to sole source or other considerations, the board meeting minutes should reflect the necessitating circumstances to show compliance with state law.

Because the board did not properly utilize a competitive procurement process prior to expending grant funds, we question the costs for the CAD system project totaling $92,970.

**WE RECOMMEND** the 911 Board work with the grantor agency to resolve questioned costs and determine if other action is needed. In the future, the board should perform a competitive procurement process for all major purchases and maintain detailed documentation of bids received and decisions made.

***AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION***

*The 911 Board indicated they agree with the recommendation and were not aware they could solicit more formal bids after the grant was awarded. They indicated they plan to go through the proper bidding procedures if grants are received in the future. In addition, the board plans to contact the grantor agency to resolve the questioned costs.*

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

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

Because Sullivan County, Missouri, did not obtain an audit of its financial statements for the two years ended December 31, 2004, this section does not report the status of any prior audit findings.

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

SULLIVAN 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, 2004, 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

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

We have audited the financial statements of various funds of Sullivan County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 1, 2007. We also have audited the compliance of Sullivan 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, 2006 and 2005, and have issued our report thereon dated August 1, 2007.

Because the Sullivan County Memorial Hospital Board is audited and separately reported on by other independent auditors, the related fund is not presented in the financial statements. However, we reviewed that audit report and other applicable information for the year ended October 31, 2006.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.

2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. 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.

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.

This Management Advisory Report (MAR) presents any 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 MAR findings resulted from our audit of the financial statements of Sullivan County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Sullivan County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

## 1. Financial Condition

The weak financial condition of the General Revenue Fund which was noted in the prior report has continued to deteriorate. The following table reflects the financial activity of the General Revenue Fund over the last four years and the projected activity for 2007:

| | | | Year Ended December 31, | | | |
|---|---|---|---|---|---|---|
| | | 2007 | | | | |
| | | Projected | 2006 | 2005 | 2004 | 2003 |
| Cash Balance, January 1 | $ | 30,548 | 81,373 | 26,289 | 79,094 | 53,679 |
| Receipts | | 1,043,365 | 1,001,774 | 1,057,593 | 973,215 | 959,178 |
| Disbursements | | (1,073,627) | (1,052,599) | (1,002,509) | (1,026,020) | (933,763) |
| Cash Balance, December 31 | $ | 286 | 30,548 | 81,373 | 26,289 | 79,094 |

The County Commission is aware of the concern and is monitoring the county's financial condition through preparation and review of quarterly budget reports, but the county does not have a long-term financial plan. Although the budget process provides annual financial planning, the county commission needs to plan for the long term to ensure the county can stabilize or increase the fund balance. The General Revenue Fund cannot continue to spend more than is received as the cash balance is steadily declining.

Although the County Commission indicated they have been monitoring the financial condition, expenditures are increasing due to inflation and the rising cost of equipment, supplies and fuel while revenues continue to stay stagnant as a result of the poor economy. The county has apparently not had any significant emergencies in the last several years, but also has not been able to build any reserves for the future. Building the cash balance reserve would serve as a cushion against future emergencies and continued inflationary pressures and allow the county to address such items without relying solely on borrowing or drastic cuts in services.

It is essential that the County Commission address the situation both in the immediate and long-term future. Discretionary disbursements should be reviewed, contracts closely monitored, and options for maximizing revenues pursued with a view toward building adequate reserves.

**WE RECOMMEND** the County Commission closely monitor the county's financial condition and take the necessary steps to improve the financial condition of the General

Revenue Fund. The County Commission should perform long term planning and take advantage of opportunities to maximize revenues and offset General Revenue Fund costs as allowed by state law.

***AUDITEE'S RESPONSE***

*The County Commission and County Clerk indicated they agree and will continue to closely monitor the expenditures and will look for opportunities to increase revenues in the General Revenue Fund. They indicated that they believe several issues will have a positive impact on the fund in the next few years such as additional property tax receipts due to some ongoing business expansions and the addition of more property to the tax rolls as the Enterprise Zone designation phases out soon. They also noted they expect increased fee revenues from the Collector's Office with the transition away from township collectors to a full-time County Collector, though there will be increased personnel costs with that change. In addition, they noted they are seeing some savings from the use of the regional jail to house prisoners, though they also indicated that some maintenance on the courthouse has been deferred in recent years and will need to be addressed.*

## 2. Sales Taxes

The county voters have authorized three separate sales taxes under Section 67.547, RSMo and the total sales tax rates imposed under that section appear to exceed the allowable statutory maximum.

- In November 1987, voters approved an additional one-half of one percent general sales tax. Under this tax, the General Revenue Fund received $207,000 in 2006.

- In August 1996, voters approved an additional one-half of one percent sales tax for the implementation and operation of a county-wide enhanced 911 and central dispatch system. Under this tax, the 911 Board Fund received $207,000 in 2006.

- In April 2007, voters approved an additional one-fourth of one percent sales tax for the purpose of continued operation and maintenance of the 911 emergency telephone service and central dispatch system. Based on the 2006 sales tax receipts for the original 911 Board Fund sales tax noted above, a full year's receipts for this newest sales tax will likely exceed $104,000.

The 1987 and 1996 sales taxes were submitted to voters by the County Commission and the 2007 sales tax was submitted by the 911 Board. The resolutions or meeting minutes authorizing each of the issues to be placed on the ballot cited Section 67.547, RSMo as the statutory authority. With the two additional general sales taxes dedicated to 911 operations, the county has imposed a levy above the statutory maximum allowed by Section 67.547. Furthermore, Attorney General's Opinion No. 61-89 states that a county cannot enact a sales tax that exceeds one half of one percent under Section 67.547, RSMo. While the county has apparently exceeded the statutory authority under this section, additional sales taxes authorized by other statutory sections are available to it, such as the law enforcement sales tax. In addition, Section 190.335, RSMo authorizes a sales tax up to one percent specifically for the purposes of providing central dispatching for emergency services. Such authority would more than replace the two 911 Board Fund sales taxes imposed above.

The county needs to review the various sales taxes being imposed to determine which are valid. While the County Commission and 911 Board have tried to improve the financial condition of the county by imposing these sales taxes, they may have exceeded statutory authority.

**WE RECOMMEND** the County Commission and 911 Board consult with legal counsel to review the various sales taxes being imposed and determine which are valid and what further steps to take.

***AUDITEE'S RESPONSE***

*911 Board Response:*

*The 911 Board indicated they have again consulted legal counsel to determine the validity of the taxes imposed. The Board's legal counsel has now provided them with written guidance which concludes that, in the legal counsel's opinion, the sales taxes as imposed by the voters are legal and valid. The Board indicated their intent to follow their legal counsel's guidance.*

*County Commission Response:*

*The County Commission and County Clerk indicated they are aware of the recent guidance from the 911 Board's legal counsel and they are deferring to that guidance.*

## 3. Expenditures

Records and monitoring procedures for county vehicles are not sufficient. The county does not have adequate procedures regarding the procurement of major purchases and professional services.

A. Records and monitoring procedures for vehicles used by the Sheriff's department and the Road and Bridge department are not sufficient. The county owns nine vehicles and three other pieces of motorized equipment utilized by the two departments. The county does not require vehicle usage or mileage logs to be prepared for these vehicles. Disbursements for fuel totaled approximately $19,000 each year during 2006 and 2005. Sheriff’s department deputies and road and bridge employees purchase fuel for the vehicles and equipment with fuel purchasing cards or by charging at a local service station and the county receives a monthly billing statement for these purchases. While statements for the fuel purchasing cards were to include odometer readings for each vehicle, such readings were not always noted or appeared inconsistent with previous readings. In addition, supporting charge receipts signed by the employees were not always submitted with the monthly statements.

Without adequate usage logs, the county cannot effectively monitor that vehicles are used for official business only, that maintenance and fuel costs for vehicles are reasonable, and that fuel and maintenance billings to the county represent legitimate and appropriate charges. In addition, without details regarding overall mileage and costs incurred for the various county vehicles, the county cannot evaluate 1) the optimal number of county vehicles needed, 2) when vehicles need to be replaced, etc.

Vehicle usage logs should include trip information (i.e., employee, dates used, beginning and ending odometer or hour readings, destination, and purpose) and operating cost information (fuel and maintenance). These logs should be reviewed by a supervisor to ensure vehicles are used only for county business and to evaluate operating costs. In addition, information on the logs should be reconciled to fuel and maintenance billings received by the county.

A similar condition was noted in our prior report.

B. While a review of county commission meeting minutes and bid files indicated the county bid numerous items, the county did not always solicit bids or perform other price comparison procedures for some significant purchases. In addition, neither the county commission minutes nor the expenditure records contained adequate documentation of the county's efforts to compare prices (i.e., phone contacts, inquiries) or reasons to support sole source purchase determinations.

We had concerns related to the following purchases:

| | |
|---|---|
| Gravel and hauling | $195,000 (annual amount) |
| Tank cars | $ 10,700 |
| Skid loader | $ 15,382 |

The county provides monies each year to 12 townships to spend on gravel and hauling. The county reimburses the townships based on invoices and rock tickets. The county also requires the townships to solicit bids for road rock; however they do not require bid documentation before payment is made. The Commission determined that a sole source vendor was to be used for the purchase of tank cars, but reasons for this determination were not documented. The county entered into a lease purchase agreement for the skid loader, but no effort was made to solicit bids. According to the County Clerk, he believed lease purchases did not fall under the bid requirements.

Section 50.660, RSMo, requires the advertisement for bids on all purchases of $4,500 or more from any one person, firm or corporation during any period of ninety days.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

C. The county did not always enter into contracts when appropriate and has not updated their contract to provide administrative duties for the Sheriff's department.

- The county paid a Not-For-Profit organization (NFP) $450 per month to perform janitorial services for the court house without a written contract. The county commission indicated they were not aware a contract was needed. After our review, the county commission entered into a written agreement with the NFP in July 2007.

  Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

- The county entered into a contract with an individual to provide administrative duties for the Sheriff's department. However, the county has not updated the contract since April 2004. Payments of $650 per month in 2006 and 2005 were made to the administrative assistant. The contract signed in April 2004, allowed only $460 per month. Since payments made to the administrative assistant have increased above the original contracted amount, the commission should update the contract. After our review, the county commission updated the administrative assistant contract in June 2007.

  Current up-to-date written contracts are necessary to ensure all parties are aware of their duties, rights, and responsibilities and to provide protection to all parties.

**WE RECOMMEND** the County Commission:

A. Require the preparation of usage logs for all county vehicles, and ensure proper reviews and reconciliations are performed.

B. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.

C. Enter into written agreements for all services and update all contracts. The written agreement should detail all duties to be performed and the compensation to be paid under the agreement.

***AUDITEE'S RESPONSE***

*A. The County Commission, County Clerk and Sheriff indicated they agree and this has now been implemented for Sheriff Department vehicles. The deputies and Sheriff are now required to report beginning and ending odometer readings daily through the dispatching system and this information is provided to the County Clerk to compare to fuel charges. The County Commission and County Clerk also indicated usage logs have either already been implemented by Road and Bridge staff, or they will ensure that they are established soon.*

*B. The County Commission and County Clerk indicated they agree. In the future they will do a better job maintaining bid documentation for all major purchases and document reasons for sole source purchases. They indicated they will address the issue of submission of bid documentation with the townships.*

*C. The County Commission and County Clerk indicated that these issues have now been corrected.*

## 4. Personnel Policies and Leave Balances

The county is not complying with established personnel policies for earning vacation and sick leave time and does not maintain centralized leave records for the Sheriff's department.

A. The county has established a written personnel policy, but the policy does not clearly address all employees earning vacation and sick leave time. According to the County Clerk, all employees are currently entitled to an annual vacation leave amount calculated as two times the hours in their normal weekly work schedule plus six days of sick leave per year and employees work schedules that range from 20 hours to 40 hours per week. However, the personnel policy only addresses certain work schedules and states full-time employees on a 32.5 or 40 hour weekly work schedule shall accrue vacation and sick leave. The policy indicates the prorated vacation leave time accrued for a 32.5 hour work schedule is 5.416 hours per month and a 40 hour work schedule is 6.667 hours per month, earned in monthly increments. According to the personnel manual, employees not working either 32.5 or 40 hour weekly work schedules would apparently not be eligible to earn vacation or sick leave time.

A clear and concise personnel policy manual is necessary to ensure the equitable treatment of all employees. The County Commission should ensure current practices comply with the written personnel manual or make appropriate amendments to the manual.

B. Detailed records of vacation leave, sick leave or compensatory time earned, taken or accumulated are not maintained for the Sheriff's department. While the County Clerk's office does receive timesheets for Sheriff's department employees, the time and leave information is not used to maintain records of vacation leave, sick leave or compensatory time earned, taken, or accumulated as is kept for other county employees. The Sheriff's department also does not maintain similar records of leave activity.

Centralized records are needed to ensure that policies are being uniformly followed, that all employees are treated equitably, and that potential leave and/or compensatory time liabilities are being monitored. In addition, such records aid in determining final pay for employees leaving county employment or in the event disputes arise and to demonstrate compliance with the federal Fair Labor Standards Act (FLSA).

**WE RECOMMEND** the County Commission:

A. Ensure vacation and sick leave practices comply with the written personnel manual or properly update the manual.

B. Require the County Clerk to maintain centralized records of leave earned, used, and accumulated for the Sheriff's department as is done for all other county employees.

***AUDITEE'S RESPONSE***

*A. The County Commission and County Clerk indicated they agree and intend to review and amend the wording in the policy.*

*B. The County Clerk indicated this has now been implemented and the failure to maintain such records for the Sheriff was due to a miscommunication of who was responsible for the records.*

## 5. Sheriff's Seized Property Procedures

Adequate controls over seized property have not been established. A log is not maintained for seized property and periodic inventories of the property on hand are not conducted. Each officer has the entry code to the evidence vault, and they are not required to sign in or out each time evidence is removed from the vault. As property and evidence are seized, the property is recorded by the officer on an evidence bag which includes a description of the item and case number, but an evidence log is not maintained and the evidence bags are not prenumbered, making it more difficult to ensure each item is accounted for properly. Furthermore, the ultimate disposition of each item is not recorded, and a periodic inventory of evidence by an independent person is not performed.

Considering the often sensitive nature of the seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the stored items. In addition, periodic physical inventories should be performed and the results compared to the inventory records to ensure that seized property is accounted for properly.

**WE RECOMMEND** the Sheriff maintain a complete inventory record of all seized property including information such as a description, persons involved, current location, case number, and disposition of such property. In addition, a periodic inventory should be performed and compared to the inventory listing and any differences investigated.

***AUDITEE'S RESPONSE***

*The Sheriff indicated he agrees with the recommendation, which his office has now implemented. A log is now maintained for seized property and all items are tagged with identifying information and signed in and out. His office intends to perform periodic inventories.*

## 6. Prosecuting Attorney's Procedures

Monies received are not deposited timely and an adequate system to account for all bad checks received has not been established. During the years ended December 31, 2006 and 2005, the Prosecuting Attorney's office handled receipts for bad check restitution and fees, etc., totaling approximately $69,500 and $49,000, respectively.

A. Monies received are not always deposited in a timely manner. Monies are usually collected each business day, but deposits are normally made only two times per month. Deposit slips for December 12 through 29, 2006 and 2005 showed four deposits ranging from $1,058 to $2,537 and including cash of $81 to $306. To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made on a timely basis. Deposits should be more frequent if significant amounts of cash are collected.

B. An adequate system to account for all bad checks received by the Prosecuting Attorney's office as well as the subsequent disposition of these bad checks has not been established. Currently, merchants complete an unnumbered complaint form at the time the bad check is turned over to the Prosecuting Attorney for collection. Information from the complaint form is entered into the computer system. In addition, the complaint form and information regarding the handling of each case is maintained in the individual case files and all pending case files are stored together. No identifying or tracking numbers are assigned to the complaint forms or bad checks, and the bad check computer data file is not maintained in a manner that allows all bad check complaint forms and bad checks to be accounted for properly. Also, without some numbering or tracking procedure, there is no assurance all bad check information is entered into the computer file. The Prosecuting Attorney's office indicated that newer versions of its computer system have the capability to assign and account for a sequential number for each complaint entered; however the office has not updated their system to utilize these capabilities.

To ensure all bad checks turned over to the Prosecuting Attorney are handled and accounted for properly, a sequential number should be assigned to each bad check complaint form or bad check received. This number should be used to track the status and disposition of the corresponding bad check, either through the use of a manual log or by updating and utilizing the computer system's features.

**WE RECOMMEND** the Prosecuting Attorney:

A. Deposit all monies intact on a timely basis.

B. Develop procedures and records that provide sufficient information to track the disposition of all bad check complaints.

***AUDITEE'S RESPONSE***

*The Prosecuting Attorney indicated:*

*A. They agree and have now begun depositing more frequently.*

*B. They agree and have recently received software updates from the bad check system vendor and are working with the vendor to ensure sequential numbers are assigned to each bad check. They are also working with the vendor to develop appropriate reports to allow for the accountability of all bad check complaints received and their ultimate disposition.*

## 7. 911 Board's Procedures

Employees' time cards are not signed by employees and time cards do not appear to support some payroll disbursements. In addition, actual disbursements exceeded budgeted amounts.

A. Three out of nine timecards examined in the month of December 2006 were not signed by the employee. In addition, three time cards had mathematical errors made by the 911 coordinator when summarizing the number of hours worked to be used for calculating payroll. For example, an employee timecard indicated 7.25 hours was worked, but payroll calculations computed 7.75 hours; an employee went home early and worked 7.25 hours, but calculations computed 8 hours; and another employee timecard showed 9 hours was worked, but 8 hours was computed for payroll. No documentation was maintained to show differences were investigated. Employee timecards should be signed by the employee and all hourly payments should be based upon hours actually worked.

B. Actual disbursements exceeded budgeted amounts for the 911 Fund by approximately $87,000 and $96,000 for the years ended December 31, 2006 and

2005, respectively. The overspending was primarily due to expending monies from grants that were awarded and received after the budgets were prepared and thus not included in budget estimates. Periodic budget to actual reports are reviewed and the 911 Board was aware the budgets were over spent; however, the 911 coordinator indicated they were unaware there was a method for amending the budgets.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), 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.

**WE RECOMMEND** the 911 Board:

A. Ensure employee timecards are signed by the employee and ensure 911 employees are paid based on actual hours worked.

B. Prepare and approve budget amendments in the same manner as the original budgets, when needed.

***AUDITEE'S RESPONSE***

*The 911 Board indicated:*

*A. They agree and the coordinator will continue to monitor timecards to ensure they are signed, accurate and the reason for any differences is documented.*

*B. They agree and plan to continue monitoring expenditures and will amend the budget when necessary in the future.*

## 8. Health Center Board's Procedures

The Health Center does not perform annual inventories and did not enter into written contracts when appropriate. The Health Center administrator's timesheet is not approved by the Board and leave balances are not reported to the employees. The Health Center does not maintain accurate and complete asset records.

A. The Health Center has not updated permanent detailed property records for capital assets since 2002. Capital assets are not tagged, additions are not added to capital asset records as they occur, and annual physical inventories are not performed. Our review identified several items on hand , totaling $3,667, that were not recorded on the listing including a laptop computer, Fuji camera, computer printer, etc. In addition, the daughter of the former administrator had apparently borrowed the Fuji camera and returned it in January 2007, after the former administrator retired. Due to the inadequate records, the Health Center employees were not aware they owned this camera until after it was returned. This lack of adequate capital asset records and monitoring increases the possibility of theft occurring without detection.

Adequate property records and monitoring procedures by the Health Center are necessary to ensure compliance with Section 49.093, RSMo and provide adequate internal controls over the Health Center's property. The comparison of the results of periodic physical inventories to an overall permanent property record could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Procedures to promptly identify, tag, and insure new property items are necessary to properly protect county assets.

B. The Health Center did not always enter into contracts when appropriate and did not adequately stipulate the terms of the agreements and rights and responsibilities of the parties. For example:

- The Health Center paid the daughter of the administrator (since retired) $1,000 without a written contractual agreement. While a review of Health Center Board meeting minutes appears to indicate she was hired to write a pandemic flu plan for a Bio-terrorism grant in June 2006, it is unclear what the specific duties, terms and expectations were and how the amount of pay was determined.

- In January 2007, the Health Center Board re-hired the recently retired administrator on an emergency basis as a contract employee to train the newly hired Health Center administrator. There was no written contract and the board meeting minutes were vague or unclear as to the services provided and other terms of her employment. The minutes also indicate board confusion about what compensation they had agreed to pay and the amount paid appeared excessive. Based on the number of days actually worked and a policy change that allowed her to be paid for previously forfeited sick leave, the total paid amounted to almost $1,000 per day worked.

  Timesheets indicated the previous administrator worked 13 days over a period of three months in early 2007 and was paid approximately $5,600 for her work. She was also paid an additional $7,000 for previously accumulated sick leave which had been forfeited upon retirement. The written policy in effect at her retirement indicated terminating employees would not be paid for accrued sick leave. However, when negotiating her re-hire, the Board apparently amended the policy and approved paying 25% of her forfeited sick leave balance to meet her demands. The Health Center Board indicated they were desperate for someone to help train the new administrator and felt they had little choice but to pay what she requested. The Board entered into this arrangement without adequately evaluating the potential time and cost involved and did not document clear expectations of the previous administrator.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Contracts which fully stipulate the terms of the agreements, rights, and responsibilities of the parties are necessary to ensure the Health Center is able to determine if services are being provided in accordance with expectations. Contracts should include, at a minimum, the products or services to be provided, time limitations or expectations, duties and responsibilities of all parties and remedial actions in the event of noncompliance.

C. The Health Center administrator's timesheets are not verified for accuracy and approved by the Board before payment. In addition, records of accrued vacation and sick leave balances are not reported back to all employees. It appears the Health Center is adequately comparing time sheets to summary vacation and sick leave records to ensure leave activity reported on the employee records is accurately posted; however, periodic balances are not reported to the employees to ensure leave balances are correct.

A supervisory review of the administrator's timesheet is necessary to ensure time worked is adequately supported and the employee is paid correctly. In addition, reporting periodic balances of vacation and sick leave to the employee is necessary to ensure leave balances are accurate and employees are properly compensated for accumulated leave.

D. The Health Center held stock since 2002 with a market value at December 31, 2006 of $63,455. The stock was not recorded in their financial records or budgets and not monitored by the Board. Furthermore, no one apparently knew the stock existed and the Board is unclear on how the stock was originally obtained. Periodically the Health Center would receive notices of increases in the investment's value, but no one confirmed the existence and fair value until the current administrator received a check, investigated, and discovered the underlying securities. The Health Center subsequently sold the stock in March 2007.

The Health Center has a fiduciary responsibility to monitor all assets and ensure all assets are properly reported in the accounting records, financial statements, and budgets.

**WE RECOMMEND** the Health Center Board:

A. Ensure physical inventories are conducted, implement a procedure for tagging and adding new property items to the capital asset records as they occur, and follow up on discrepancies identified during the annual physical inventory process. In addition, the Health Center Board should exercise more to care to ensure all property records are retained and can be located.

B. Enter into written contracts when appropriate and ensure that contracts contain adequate details and protections for the Health Center.

C. Perform a documented review of the Health Center administrator's time sheets. In addition, establish procedures to report vacation and sick leave balances to employees.

D. Record all transactions and maintain accurate asset records.

***<u>AUDITEE'S RESPONSE</u>***

*The Health Center Administrator responded:*

*A. They are in the process of updating the capital assets listing. They have ordered new inventory tags, however there are a lot of assets that need to be tagged and they hope to finish tagging by the end of the year. Every asset over $50 will be tagged.*

*B. They will ensure that contracts for services will always be in writing. They have already updated contracts with the lawn maintenance staff and painters. They also seek bids for any service over $2,000.*

*C. He now gives every employee a report of their sick, vacation, and comp time available every month and the board is informed of his time off. Time sheets are only used for accounting for time in certain programs so they can bill for the hours. Timesheets are not used for payment purposes because all employees are salaried.*

*D. All of the transactions and asset records are now being updated and maintained regularly. Incidents like the Principal Financial Stock will not happen again and should have never happened in the first place.*

Follow-Up on Prior Audit Findings

SULLIVAN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Sullivan County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002.

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

1. <u>Financial Condition</u>

The county's General Revenue Fund was in poor financial condition and the 2003 budget did not project any improvement.

<u>Recommendation:</u>

The County Commission closely monitor the county's financial condition and consider various alternatives of increasing receipts and/or reducing disbursements of the General Revenue Fund.

<u>Status:</u>

Not implemented. See MAR finding number 1.

2. <u>County Expenditures</u>

A. The county approved some payments to vendors without requiring or retaining adequate supporting documentation and the acknowledgement of receipt of some goods and services was not documented.

B. While annual uniform allowances of $300 were paid to road and bridge employees, the employees were not required to submit an itemized report of expenditures to support allowances and the amounts were not reported on W-2 forms.

C. There were no written agreements specifying how the county's share of rent and utilities for the Prosecuting Attorney's off-site office was determined and the percentage of his secretary's salary to be paid by the county. In addition, supporting documentation such as employee timesheets was not maintained by the Prosecuting Attorney for filing with the County Clerk.

Recommendations:

The County Commission:

A. Ensure adequate supporting documentation is obtained to support all expenditures and require acknowledgement of receipt of goods and/or services prior to payment.

B. Require employees to submit itemized reports for uniform allowances or report the payments as income on the employees' W-2 forms.

C. Ensure a written agreement is entered in to with the Prosecuting Attorney documenting each party's contractual obligations. In addition, timesheets should be required of the secretary to support salary reimbursements for the agreed upon percentage.

Status:

A. Implemented.

B. Implemented. Uniform allowances are now included as income on employees' W-2 forms.

C. Partially implemented. While no written agreement was entered, timesheets are now submitted to the county clerk to support the secretary's salary reimbursements. In addition, the Prosecuting Attorney's office is now in the county courthouse and he maintains a separate office for his private practice. While the secretary does some work for his private practice in the county office, the Prosecuting Attorney pays for a separate phone line for private practice use. Although not repeated in the current report, our recommendation remains as stated above.

3. Personnel Policies and Procedures

A. Timesheets were not always signed by the employees and supervisors did not always sign employees' timesheets to document approval.

B. The county did not have standard written personnel policies, instead allowing each official to inform his/her employees of the hours to be worked, which resulted in inconsistencies among the various offices.

Recommendations:

The County Commission:

A. Require timesheets be prepared and signed by employees, approved by the applicable supervisor, and filed in a central location with the county's payroll records.

B. Adopt a detailed written policy to ensure fair and equitable treatment concerning personnel matters.

Status:

A. Implemented.

B. Partially implemented. The county now has a standard written personnel policy. However, hours worked among the various offices remain inconsistent and work hours range from 20 to 40 hours a week. In addition, some written policies do not appear to be followed. See MAR finding number 4.

4. Property Records and Procedures

A. Fixed asset records were not adequate or complete and some county offices did not conduct annual physical inventories during the audit period.

B. Mileage logs were not maintained for the four county-owned vehicles used by the Sheriff's Department.

Recommendations:

The County Commission:

A. 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.

B. Require usage logs for all county vehicles assigned to the Sheriff's Department and review the logs periodically for reasonableness.

Status:

A. Not implemented. While capital asset records appear to be adequate, the county appears to have controls in place to ensure the records are complete, and annual inventories are conducted, a written policy relating to the handling and accounting for capital assets has not been established. Although not repeated in the current report, our recommendation remains as stated above.

B. Not implemented. See MAR finding number 3.

5. Closed Meeting Minutes

Minutes were not prepared to document the matters discussed in closed meetings.

Recommendation:

The County Commission ensure minutes are prepared, approved, and retained for all closed meetings, and the final disposition of matters discussed in closed meetings is made public as required by state law.

Status:

During 2006 and 2005, the county meeting minutes did not indicate any closed meetings were held. In addition, the County Clerk stated the county commission had no such meetings during that period.

6. 911 Board

A.1. Some monies received were misappropriated and not deposited from August 2001 through March 2003.

A.2. Certificate of Deposit interest checks were retained in the vault and never deposited or recorded in the receipt records. In addition, cash received from map sales and rural addressing were recorded on receipt slips, but not deposited.

A.3. Accounting duties were not adequately segregated and the 911 Board did not provide adequate supervisory review and oversight of the 911 Coordinator's activities.

B. Payments to vendors were not made on a timely basis and the 911 Board did not review supporting documentation prior to approving a list of bills for payment by the 911 Coordinator.

C. Inventory records were not maintained to account for all maps purchased, sold, or given away.

D. The 911 Board did not publish annual financial statements.

Recommendations:

The 911 Board:

A.1. Work with law enforcement authorities and the Prosecuting Attorney to obtain restitution of the amount misappropriated.

A.2. Ensure checks or money orders are endorsed immediately upon receipt, monies received are promptly recorded in the receipt records, monies are maintained in a secure location prior to deposit, receipts are deposited daily or when accumulated receipts exceed $100, and details of the receipt records are reconciled to the composition of deposits.

A.3. Ensure the cash custody and recordkeeping functions are segregated where possible. If it is not feasible to segregate duties further, at a minimum, there should be an independent review of the check register and/or bank reconciliations. In addition, supervisory review procedures should be established to review monthly budget reports and take a more active role in preparation of the 911 Board Fund annual budget, ensuring accuracy of all amounts presented.

B. Establish policies and procedures to ensure bills are reviewed and authorized and bills and other required payments are paid timely. In addition, the 911 Board should ensure that adequate supporting documentation is retained for all payments.

C. Maintain inventory records of maps, including the number of maps sold or given away and periodically reconcile the number of maps reported on the inventory to the number of maps on hand and the applicable receipts.

D. Publish annual financial statements of the 911 Board Fund in accordance with state law.

<u>Status:</u>

A.1. Implemented. The previous director was convicted of a Class C felony for stealing in September 2003. She received a suspended imposition of sentence with four years probation. According to the Circuit Clerk, restitution and court costs totaling $3,521 were paid.

A.2. Implemented.

A.3. Implemented. A finance committee was formed by the 911 board to review and authorize all disbursements. According to the minutes, the board also reviews monthly financial statements and approves payment of bills.

B&C. Implemented.

D. Partially implemented. While annual financial statements of the 911 Board Fund are published, beginning and ending balances were not included in accordance with state law. Although not repeated in the current report, our recommendation remains as stated above.

7. Health Center

The Health Center did not publish annual financial statements.

Recommendation:

The Health Center Board publish annual financial statements of the Health Center Fund in accordance with state law.

Status:

Partially implemented. While the Health Center Board published annual financial statements of the Health Center Fund, disbursement detail by vendor was not disclosed.

STATISTICAL SECTION

History, Organization, and
Statistical Information

SULLIVAN COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845, the county of Sullivan was named after John J. Sullivan, a General in the Revolutionary War. Sullivan County is a township-organized, third-class county and is part of the 9th Judicial Circuit. The county seat is Milan.

Sullivan 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 approximately 158 county 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 important to the county's citizens. The townships maintain approximately 549 miles of county roads.

The county's population was 7,434 in 1980 and 7,219 in 2000. The following chart shows the county's change in assessed valuation since 1980:

| | | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2006 | 2005 | 2004 | 2003 | 1985* | 1980** |
| | | (in millions) | | | | | |
| Real estate | $ | 41.6 | 40.8 | 40.2 | 39.9 | 21.4 | 15.1 |
| Personal property | | 26.1 | 22.7 | 20.8 | 22.5 | 7.6 | 6.8 |
| Railroad and utilities | | 5.6 | 5.4 | 5.3 | 5.1 | 3.2 | 2.6 |
| Total | $ | 73.3 | 68.9 | 66.3 | 67.5 | 32.2 | 24.5 |

* First year of statewide reassessment.

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

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

| | | Year Ended December 31, | | | |
|---|---|---|---|---|---|
| | | 2006 | 2005 | 2004 | 2003 |
| General Revenue Fund | $ | .2436 | .2312 | .2707 | .2575 |
| Special Road and Bridge Fund * | | | | | |
| Health Center Fund | | .2504 | .2504 | .2504 | .2504 |
| Hospital Fund | | .4300 | .4300 | .4300 | .4300 |

* The county retains all tax proceeds from areas not within road districts. The county has 3 road districts that receive four-fifths of the tax collections from property within these districts, and the Special Road and Bridge Fund retains one-fifth. The county retains $.05 per

$100 assessed valuation from each township's road and bridge levy and the townships' voter approved additional levy to use for road and bridge purposes.

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 and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

| | Year Ended February 28 (29), | | | |
|---|---|---|---|---|
| | 2007 | 2006 | 2005 | 2004 |
| State of Missouri | $ 22,384 | 20,925 | 20,192 | 20,568 |
| General Revenue Fund | 178,344 | 159,666 | 177,988 | 175,936 |
| Special Road and Bridge Fund | 36,695 | 34,515 | 33,198 | 33,843 |
| Assessment Fund | 73,324 | 69,824 | 66,198 | 46,364 |
| Health Center Fund | 181,539 | 169,915 | 163,818 | 167,052 |
| Township road and bridge | 421,310 | 392,436 | 382,210 | 379,670 |
| School districts | 2,951,710 | 2,871,461 | 2,676,857 | 2,609,953 |
| Library district | 73,248 | 68,613 | 66,278 | 67,832 |
| Ambulance district | 359,949 | 336,806 | 325,931 | 332,579 |
| Fire protection districts | 39,181 | 36,775 | 36,781 | 36,110 |
| Special road districts | 49,055 | 47,507 | 43,598 | 43,655 |
| Drainage districts | 58,395 | 56,280 | 55,428 | 55,880 |
| Townships | 76,252 | 71,338 | 68,870 | 70,551 |
| Hospital | 312,068 | 292,037 | 282,356 | 288,843 |
| Cities | 20,999 | 20,275 | 20,254 | 23,252 |
| County Clerk | 146 | 110 | 124 | 119 |
| County Employees' Retirement | 20,436 | 22,023 | 18,265 | 18,654 |
| Tax Maintenance Fund | 7,534 | 9,136 | 7,124 | 6,868 |
| Commissions and fees: | | | | |
| General Revenue Fund | 35,962 | 32,686 | 34,982 | 33,838 |
| Township Collectors | 40,688 | 39,349 | 37,364 | 37,862 |
| Total | $ 4,959,219 | 4,751,677 | 4,517,816 | 4,449,429 |

Percentages of current taxes collected were as follows:

| | Year Ended February 28 (29), | | | |
|---|---|---|---|---|
| | 2007 | 2006 | 2005 | 2004 |
| Real estate | 95 | 95 | 95 | 95 % |
| Personal property | 94 | 93 | 93 | 93 |
| Railroad and utilities | 100 | 100 | 100 | 100 |

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

| | | Rate | Expiration Date | Required Property Tax Reduction | |
|---|---|---|---|---|---|
| General | $ | .0050 | None | 50 | % |
| General | | .0050 | None | None | |
| 911 Emergency Services | | .0050 | None | None | |
| Hospital | | .0050 | 2010 | None | |

In addition, in April 2007 county voters approved an additional sales tax for 911 Emergency Services at a rate of $ .0025.

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

| Officeholder | | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|
| County-Paid Officials: | | | | | | |
| Chris May, Presiding Commissioner | $ | | 24,440 | 24,440 | 24,440 | 24,440 |
| James Howard, Associate Commissioner | | | 22,440 | 22,440 | 22,440 | 22,440 |
| Danny Busick, Associate Commissioner | | | 22,440 | 22,440 | | |
| Lowell Tucker, Associate Commissioner | | | | | 22,440 | 22,440 |
| Michael Hepler, County Clerk | | | 34,000 | 34,000 | 34,000 | 34,000 |
| Jerry A. Hollon, Prosecuting Attorney | | | 41,000 | 41,000 | 41,000 | 41,000 |
| Bill D. Hayes, Sheriff | | | 39,000 | 39,000 | 39,000 | 39,000 |
| Jennifer Hollon-Russell, Treasurer and Ex Officio County Collector, year ended March 31 | | 34,000 | 34,000 | | | |
| Deborah Schnelle, Treasurer and Ex Officio County Collector, year ended March 31 | | | | 34,000 | 34,000 | |
| John Morehead, Recorder of Deeds | | | 34,000 | 34,000 | 34,000 | 34,000 |
| Paul Ruschmeier, County Coroner | | | 9,500 | 9,500 | | |
| Dale Essmeyer, County Coroner | | | | | 9,500 | 9,500 |
| Joan Brummitt, Public Administrator | | | 25,000 | 25,000 | | |
| Rhonda Frazier, Public Administrator | | | | | 25,000 | 25,000 |
| Karen LaFaver, County Assessor, (1) year ended August 31, | | | 34,688 | | | |
| Gary Hostetter, County Assessor, (2) year ended August 31, | | | | 34,688 | 34,765 | 34,900 |

(1) Includes $688 annual compensation received from the state.
(2) Includes $688, $765 and $900 annual compensation received from the state in 2005, 2004 and 2003, respectively.

| | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| State-Paid Officials: | | | | | |
| John Morehead, Circuit Clerk and Ex Officio Recorder of Deeds (1) | | | | | 1,971 |
| Sherry Brinkley, Circuit Clerk | | 49,470 | 48,500 | 47,850 | 45,329 |

| | | | | |
|---|---|---|---|---|
| James Spencer, Associate Circuit Judge (2) | 96,000 | 96,000 | 96,000 | 24,267 |
| Jeffery Sayre, Associate Circuit Judge | | | | 64,000 |

(1) Sullivan county voters approved separating the offices of the Recorder of Deeds and the Circuit Clerk in 2002. John Morehead was elected Recorder of Deeds and Sherry Brinkley was elected Circuit Clerk, both taking their new offices in January 2003.

(2) James Spencer replaced Jeffery Sayre as Associate Circuit Judge. The office was vacant for a short time during the transition.