



CLAIRE C. McCASKILL
Missouri State Auditor

To the County Commission
and
Officeholders of Carter County, Missouri

The State Auditor's Office through the State Office of Administration, Division of Purchasing, contracted the audit services of Carter County, Missouri, for the two years ended December 31, 2001. A copy of this audit, which was performed by Kraus and Head, L.L.P., Business Consultants and Certified Public Accountants, is attached.

A handwritten signature in black ink, reading "Claire C. McCaskill".

Claire C. McCaskill
State Auditor

Report No. 2002-66
August 30, 2002

CARTER COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2001

CARTER COUNTY, MISSOURI

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LICENSED IN MISSOURI AND ILLINOIS

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

To the County Commission
and
Officeholders of Carter County, Missouri.

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

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

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

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of **Carter County, Missouri**, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2001 and 2000, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 5, 2002 on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

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

Krauss and Head, L.L.P.
Business Consultants and
Certified Public Accountants

Original Signed by Auditor

St. Louis, MO 63011
June 5, 2002

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REGISTERED IN MISSOURI AND ILLINOIS

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

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

We have audited the special-purpose financial statements of various funds of *Carter County, Missouri*, as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 5, 2002. We conducted our audit in accordance with generally accepted 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.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of *Carter County, Missouri*, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of *Carter County, Missouri*, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

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

Krauss and Head, L.L.P.
Business Consultants and
Certified Public Accountants

Original Signed by Auditor

St. Louis, MO 63011
June 5, 2002

Financial Statements

Exhibit A-1

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

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 120,487	629,782	586,813	163,456
Special Road and Bridge	135,753	410,925	454,610	92,068
Assessment	178	74,495	74,673	0
Law Enforcement Training	2,380	2,214	4,519	75
Prosecuting Attorney Training	999	383	1,278	104
Health Center	124,538	689,036	676,632	136,942
Prosecuting Attorney Bad Check	227	926	641	512
Recorder's User Fees	14,288	3,759	5,260	12,787
Prosecuting Attorney Delinquent Tax	37	83	65	55
Senate Bill 40 Board	16,576	28,442	24,100	20,918
Senior Citizens Service Tax Board	101	10,533	10,500	134
Domestic Violence	270	237	180	327
Circuit Clerk's Interest	16,636	1,873	1,327	17,182
Law Library	951	2,995	2,515	1,431
Associate Circuit Interest	1,290	154	484	960
Jail	96	0	96	0
Multi Floral Rose	5,097	211	992	4,316
Sheriff's Fees	2,857	9,853	10,641	2,069
Salary	212	10	0	222
South Van Buren Sewer District	36,244	1,108,777	1,128,361	16,660
Chemical Emergency	3,900	5,079	4,579	4,400
COPS in School R-2	1,120	15,825	14,877	2,068
R-1 COPS in School	0	30,845	28,343	2,502
Controlled Substance Enforcement Activity	0	15,124	15,124	0
COPS 2000 Grant	0	34,937	34,785	152
South Van Buren Sewer O & M	0	39,031	3,744	35,287
CVRBD	0	1,594	0	1,594
Total	\$ 484,237	3,117,123	3,085,139	516,221

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

Exhibit A-2

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

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 103,404	579,539	562,456	120,487
Special Road and Bridge	129,839	431,624	425,710	135,753
Assessment	5	76,127	75,954	178
Law Enforcement Training	2,603	2,646	2,869	2,380
Prosecuting Attorney Training	569	430	0	999
Health Center	156,501	504,791	536,754	124,538
Prosecuting Attorney Bad Check	132	295	200	227
Recorder's User Fees	10,620	3,668	0	14,288
Prosecuting Attorney Delinquent Tax	684	201	848	37
Senate Bill 40 Board	11,817	26,891	22,132	16,576
Senior Citizens Service Tax Board	2,447	10,014	12,360	101
Domestic Violence	249	270	249	270
Circuit Clerk's Interest	14,592	2,335	291	16,636
Law Library	48	2,915	2,012	951
Associate Circuit Interest	1,240	414	364	1,290
Jail	2,064	32	2,000	96
Multi Floral Rose	7,515	307	2,725	5,097
Sheriff's Fees	2,443	8,690	8,276	2,857
Salary	203	9	0	212
South Van Buren Sewer District	500	1,583,874	1,548,130	36,244
Chemical Emergency	1,729	3,309	1,138	3,900
COPS in School R-2	3,652	12,806	15,338	1,120
Total	\$ 452,856	3,251,187	3,219,806	484,237

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

Exhibit B

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

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 3,033,724	3,117,123	83,399	3,595,662	3,251,187	(344,475)
DISBURSEMENTS	2,832,325	3,085,139	(252,814)	4,129,875	3,219,806	910,069
RECEIPTS OVER (UNDER) DISBURSEMENTS	201,399	31,984	(169,415)	(534,213)	31,381	565,594
CASH, JANUARY 1	481,996	484,237	2,241	451,568	452,856	1,288
CASH, DECEMBER 31	683,395	516,221	(167,174)	(82,645)	484,237	566,882
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	13,400	17,239	3,839	14,670	13,913	(757)
Sales taxes	315,000	325,883	10,883	310,000	324,875	14,875
Intergovernmental	86,990	154,745	67,755	99,363	102,195	2,832
Charges for services	107,630	104,916	(2,714)	115,919	102,335	(13,584)
Interest	5,900	7,053	1,153	4,200	6,527	2,327
Other	15,944	10,579	(5,365)	24,624	20,016	(4,608)
Transfers in	16,500	9,367	(7,133)	20,541	9,678	(10,863)
Total Receipts	561,364	629,782	68,418	589,317	579,539	(9,778)
DISBURSEMENTS						
County Commission	47,100	45,275	1,825	53,415	50,189	3,226
County Clerk	26,475	25,017	1,458	26,475	25,100	1,375
Elections	1,900	644	1,256	18,725	15,230	3,495
Buildings and grounds	25,829	25,340	489	21,017	19,154	1,863
Employee fringe benefits	30,800	25,286	5,514	28,816	26,389	2,427
County Treasurer	13,540	12,993	547	13,340	12,986	354
County Collector	29,038	28,437	601	27,738	27,817	(79)
Ex Officio Recorder of Deeds	9,770	8,911	859	10,370	9,509	861
Circuit Clerk	6,750	4,802	1,948	8,700	4,891	3,809
Associate Circuit Court	9,250	7,581	1,669	9,250	7,988	1,262
Court administration	803	314	489	803	467	336
Public Administrator	21,229	17,914	3,315	20,754	17,576	3,178
Sheriff	179,237	176,491	2,746	146,908	164,410	(17,502)
Jail	19,571	19,581	(10)	42,100	24,587	17,513
Prosecuting Attorney	47,363	44,938	2,425	47,513	50,412	(2,899)
Juvenile Officer	22,086	23,685	(1,599)	25,167	22,679	2,488
County Coroner	10,414	5,814	4,600	5,775	5,128	647
Other General County Government	53,634	46,818	6,816	42,849	40,138	2,711
Court Reporter	327	246	81	311	219	92
Other	11,000	10,427	573	11,600	11,546	54
Transfers out	66,325	56,299	10,026	21,000	26,041	(5,041)
Emergency Fund	36,000	0	36,000	36,000	0	36,000
Total Disbursements	668,441	586,813	81,628	618,626	562,456	56,170
RECEIPTS OVER (UNDER) DISBURSEMENTS	(107,077)	42,969	150,046	(29,309)	17,083	46,392
CASH, JANUARY 1	120,487	120,487	0	103,404	103,404	0
CASH, DECEMBER 31	13,410	163,456	150,046	74,095	120,487	46,392

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

Exhibit B

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

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	75,300	79,428	4,128	80,508	74,404	(6,104)
Intergovernmental	364,250	323,619	(40,631)	328,090	346,490	18,400
Interest	5,500	7,391	1,891	5,000	7,005	2,005
Other	100	487	387	300	3,725	3,425
Total Receipts	445,150	410,925	(34,225)	413,898	431,624	17,726
DISBURSEMENTS						
Salaries	157,040	143,651	13,389	144,208	145,704	(1,496)
Employee fringe benefits	28,714	22,685	6,029	18,832	17,139	1,693
Supplies	62,000	48,866	13,134	60,000	58,841	1,159
Insurance	20,000	16,058	3,942	20,000	17,694	2,306
Road and bridge materials	107,500	84,615	22,885	112,000	75,015	36,985
Equipment repairs	10,000	4,677	5,323	10,000	6,848	3,152
Equipment purchases	86,500	121,357	(34,857)	73,235	72,258	977
Other	27,900	12,701	15,199	25,591	32,211	(6,620)
Transfers out	1,000	0	1,000	1,000	0	1,000
Total Disbursements	500,654	454,610	46,044	464,866	425,710	39,156
RECEIPTS OVER (UNDER) DISBURSEMENTS	(55,504)	(43,685)	11,819	(50,968)	5,914	56,882
CASH, JANUARY 1	135,753	135,753	0	129,839	129,839	0
CASH, DECEMBER 31	80,249	92,068	11,819	78,871	135,753	56,882
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	54,347	52,062	(2,285)	54,347	48,865	(5,482)
Interest	200	206	6	200	198	(2)
Other	1,100	794	(306)	1,100	1,023	(77)
Transfers in	20,616	21,433	817	20,616	26,041	5,425
Total Receipts	76,263	74,495	(1,768)	76,263	76,127	(136)
DISBURSEMENTS						
Assessor	76,263	65,306	10,957	76,263	66,276	9,987
Transfers out	0	9,367	(9,367)	0	9,678	(9,678)
Total Disbursements	76,263	74,673	1,590	76,263	75,954	309
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(178)	(178)	0	173	173
CASH, JANUARY 1	178	178	0	5	5	0
CASH, DECEMBER 31	178	0	(178)	5	178	173

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

Exhibit B

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

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	3,450	2,121	(1,329)	4,150	2,347	(1,803)
Interest	90	68	(22)	115	85	(30)
Other	0	25	25	0	214	214
Total Receipts	3,540	2,214	(1,326)	4,265	2,646	(1,619)
DISBURSEMENTS						
Sheriff	5,800	4,519	1,281	6,800	2,869	3,931
Total Disbursements	5,800	4,519	1,281	6,800	2,869	3,931
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,260)	(2,305)	(45)	(2,535)	(223)	2,312
CASH, JANUARY 1	2,380	2,380	0	2,603	2,603	0
CASH, DECEMBER 31	120	75	(45)	68	2,380	2,312
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	800	343	(457)	1,000	396	(604)
Interest	70	40	(30)	40	34	(6)
Total Receipts	870	383	(487)	1,040	430	(610)
DISBURSEMENTS						
Prosecuting Attorney	1,840	1,278	562	1,570	0	1,570
Total Disbursements	1,840	1,278	562	1,570	0	1,570
RECEIPTS OVER (UNDER) DISBURSEMENTS	(970)	(895)	75	(530)	430	960
CASH, JANUARY 1	999	999	0	569	569	0
CASH, DECEMBER 31	29	104	75	39	999	960
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property Taxes	75,000	87,330	12,330	70,000	81,849	11,849
Intergovernmental	262,644	228,031	(34,613)	204,884	204,821	(63)
Interest	7,500	4,798	(2,702)	10,000	7,897	(2,103)
Other	267,974	368,877	100,903	253,550	210,224	(43,326)
Total Receipts	613,118	689,036	75,918	538,434	504,791	(33,643)
DISBURSEMENTS						
Salaries	408,007	427,411	(19,404)	352,446	349,330	3,116
Office expenditures	29,145	37,450	(8,305)	34,386	28,039	6,347
Equipment & Building	30,554	30,329	225	25,054	36,665	(11,611)
Mileage and training	46,100	40,740	5,360	46,964	42,458	4,506
Other Professional Services	23,503	35,145	(11,642)	19,115	19,235	(120)
Medical Supplies	53,250	47,179	6,071	55,353	51,402	3,951
Other Expenses	17,895	58,378	(40,483)	11,454	9,625	1,829
Total Disbursements	608,454	676,632	(68,178)	544,772	536,754	8,018
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,664	12,404	7,740	(6,338)	(31,963)	(25,625)
CASH, JANUARY 1	124,538	124,538	0	156,501	156,501	0
CASH, DECEMBER 31	129,202	136,942	7,740	150,163	124,538	(25,625)

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

Exhibit B

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

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	0	906	906	0	290	290
Interest	0	20	20	5	5	0
Total Receipts	0	926	926	5	295	290
DISBURSEMENTS						
Mileage and training	702	641	61	0	200	(200)
Total Disbursements	702	641	61	0	200	(200)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(702)	285	987	5	95	90
CASH, JANUARY 1	227	227	0	132	132	0
CASH, DECEMBER 31	(475)	512	987	137	227	90
<u>RECORDER'S USER FEES FUND</u>						
RECEIPTS						
Intergovernmental	3,500	3,106	(394)	3,300	3,109	(191)
Interest	650	653	3	450	559	109
Total Receipts	4,150	3,759	(391)	3,750	3,668	(82)
DISBURSEMENTS						
Salaries	6,069	4,538	1,531			0
Storage of Records	720	722	(2)	10,000	0	10,000
Total Disbursements	6,789	5,260	1,529	10,000	0	10,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,639)	(1,501)	1,138	(6,250)	3,668	9,918
CASH, JANUARY 1	14,288	14,288	0	10,620	10,620	0
CASH, DECEMBER 31	11,649	12,787	1,138	4,370	14,288	9,918
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Intergovernmental	1,000	82	(918)	500	187	(313)
Interest	90	1	(89)	90	14	(76)
Total Receipts	1,090	83	(1,007)	590	201	(389)
DISBURSEMENTS						
Mileage and training	1,127	65	1,062	1,039	848	191
Other	0	0	0	200	0	200
Total Disbursements	1,127	65	1,062	1,239	848	391
RECEIPTS OVER (UNDER) DISBURSEMENTS	(37)	18	55	(649)	(647)	2
CASH, JANUARY 1	37	37	0	684	684	0
CASH, DECEMBER 31	0	55	55	35	37	2

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

Exhibit B

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

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SENATE BILL 40 BOARD</u>						
RECEIPTS						
Property taxes	25,000	28,038	3,038	0	26,444	26,444
Interest	400	404	4	0	447	447
Total Receipts	25,400	28,442	3,042	0	26,891	26,891
DISBURSEMENTS						
Other	41,975	24,100	17,875	0	22,132	(22,132)
Total Disbursements	41,975	24,100	17,875	0	22,132	(22,132)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(16,575)	4,342	20,917	0	4,759	4,759
CASH, JANUARY 1	16,576	16,576	0	11,817	11,817	0
CASH, DECEMBER 31	1	20,918	20,917	11,817	16,576	4,759
<u>SENIOR CITIZENS SERVICE TAX BOARD FUND</u>						
RECEIPTS						
Property taxes	10,630	10,224	(406)	12,022	9,608	(2,414)
Sales taxes	170	153	(17)	115	170	55
Interest	220	156	(64)	203	236	33
Total Receipts	11,020	10,533	(487)	12,340	10,014	(2,326)
DISBURSEMENTS						
Contract services	10,700	10,500	200	12,450	12,360	90
Total Disbursements	10,700	10,500	200	12,450	12,360	90
RECEIPTS OVER (UNDER) DISBURSEMENTS	320	33	(287)	(110)	(2,346)	(2,236)
CASH, JANUARY 1	101	101	0	2,447	2,447	0
CASH, DECEMBER 31	421	134	(287)	2,337	101	(2,236)
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	300	230	(70)	220	255	35
Interest	15	7	(8)	5	15	10
Total Receipts	315	237	(78)	225	270	45
DISBURSEMENTS						
Domestic violence shelter	270	180	90	225	249	(24)
Total Disbursements	270	180	90	225	249	(24)
RECEIPTS OVER (UNDER) DISBURSEMENTS	45	57	12	0	21	21
CASH, JANUARY 1	270	270	0	249	249	0
CASH, DECEMBER 31	315	327	12	249	270	21

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Exhibit B

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

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CIRCUIT CLERK'S INTEREST FUND</u>						
RECEIPTS						
Interest	2,500	1,873	(627)	5,500	2,335	(3,165)
Total Receipts	2,500	1,873	(627)	5,500	2,335	(3,165)
DISBURSEMENTS						
Equipment	2,000	1,327	673	2,000	291	1,709
Total Disbursements	2,000	1,327	673	2,000	291	1,709
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	546	46	3,500	2,044	(1,456)
CASH, JANUARY 1	16,636	16,636	0	14,592	14,592	0
CASH, DECEMBER 31	17,136	17,182	46	18,092	16,636	(1,456)
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Intergovernmental	0	2,995	2,995	0	2,915	2,915
Total Receipts	0	2,995	2,995	0	2,915	2,915
DISBURSEMENTS						
Dues	0	2,515	(2,515)	0	2,012	(2,012)
Total Disbursements	0	2,515	(2,515)	0	2,012	(2,012)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	480	480	0	903	903
CASH, JANUARY 1	0	951	951	0	48	48
CASH, DECEMBER 31	0	1,431	1,431	0	951	951
<u>ASSOCIATE CIRCUIT INTEREST FUND</u>						
Interest	0	154	154	0	414	414
Total Receipts	0	154	154	0	414	414
DISBURSEMENTS						
Refunds	0	484	(484)	0	364	(364)
Total Disbursements	0	484	(484)	0	364	(364)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(330)	(330)	0	50	50
CASH, JANUARY 1	0	1,290	1,290	0	1,240	1,240
CASH, DECEMBER 31	0	960	960	0	1,290	1,290

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Exhibit B

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

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>JAIL FUND</u>						
RECEIPTS						
Intergovernmental	0	0	0	75	32	(43)
Total Receipts	0	0	0	75	32	(43)
DISBURSEMENTS						
Supplies	96	96	0	0	0	0
Dues	0	0	0	2,126	2,000	126
Total Disbursements	96	96	0	2,126	2,000	126
RECEIPTS OVER (UNDER) DISBURSEMENTS	(96)	(96)	0	(2,051)	(1,968)	83
CASH, JANUARY 1	96	96	0	2,064	2,064	0
CASH, DECEMBER 31	0	0	0	13	96	83
<u>MULTI FLORAL ROSE FUND</u>						
RECEIPTS						
Interest	300	211	(89)	310	307	(3)
Total Receipts	300	211	(89)	310	307	(3)
DISBURSEMENTS						
Refunds	5,397	992	4,405	7,825	2,725	5,100
Total Disbursements	5,397	992	4,405	7,825	2,725	5,100
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,097)	(781)	4,316	(7,515)	(2,418)	5,097
CASH, JANUARY 1	5,097	5,097	0	7,515	7,515	0
CASH, DECEMBER 31	0	4,316	4,316	0	5,097	5,097
<u>SHERIFF'S FEES FUND</u>						
RECEIPTS						
Charges for services	5,700	6,809	1,109	7,300	5,743	(1,557)
Interest	141	123	(18)	170	142	(28)
Other	2,795	2,921	126	0	2,805	2,805
Total Receipts	8,636	9,853	1,217	7,470	8,690	1,220
DISBURSEMENTS						
Car expense	4,200	1,399	2,801	0	0	0
Dues	0	3,000	(3,000)	0	0	0
Equipment / Canine	5,062	4,511	551	2,812	2,000	812
Supplies	200	1,578	(1,378)	2,812	1,123	1,689
Mileage	1,153	153	1,000	4,200	5,153	(953)
Total Disbursements	10,615	10,641	(26)	9,824	8,276	1,548
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,979)	(788)	1,191	(2,354)	414	2,768
CASH, JANUARY 1	2,857	2,857	0	2,443	2,443	0
CASH, DECEMBER 31	878	2,069	1,191	89	2,857	2,768

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Exhibit B

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

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SALARY FUND</u>						
RECEIPTS						
Interest	0	10	10	7	9	2
Total Receipts	0	10	10	7	9	2
DISBURSEMENTS						
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	10	10	7	9	2
CASH, JANUARY 1	212	212	0	203	203	0
CASH, DECEMBER 31	212	222	10	210	212	2
<u>SOUTH VAN BUREN SEWER DISTRICT FUND</u>						
RECEIPTS						
Other	1,210,778	1,108,777	(102,001)	1,939,000	1,583,874	(355,126)
Total Receipts	1,210,778	1,108,777	(102,001)	1,939,000	1,583,874	(355,126)
DISBURSEMENTS						
Other	818,920	1,128,361	(309,441)	2,366,550	1,548,130	818,420
Total Disbursements	818,920	1,128,361	(309,441)	2,366,550	1,548,130	818,420
RECEIPTS OVER (UNDER) DISBURSEMENTS	391,858	(19,584)	(411,442)	(427,550)	35,744	463,294
CASH, JANUARY 1	36,244	36,244	0	500	500	0
CASH, DECEMBER 31	428,102	16,660	(411,442)	(427,050)	36,244	463,294
<u>CHEMICAL EMERGENCY FUND</u>						
RECEIPTS						
Intergovernmental	1,750	4,866	3,116	3,023	3,083	60
Interest	226	213	(13)	150	226	76
Total Receipts	1,976	5,079	3,103	3,173	3,309	136
DISBURSEMENTS						
Other	5,200	4,579	621	4,739	1,138	3,601
Total Disbursements	5,200	4,579	621	4,739	1,138	3,601
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,224)	500	3,724	(1,566)	2,171	3,737
CASH, JANUARY 1	3,900	3,900	0	1,729	1,729	0
CASH, DECEMBER 31	676	4,400	3,724	163	3,900	3,737

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Exhibit B

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

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>COPS IN SCHOOL R-2 FUND</u>						
RECEIPTS						
Intergovernmental	16,375	15,658	(717)	0	12,723	12,723
Interest	85	167	82	0	83	83
Total Receipts	16,460	15,825	(635)	0	12,806	12,806
DISBURSEMENTS						
Other	16,938	14,877	2,061	0	15,338	(15,338)
Total Disbursements	16,938	14,877	2,061	0	15,338	(15,338)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(478)	948	1,426	0	(2,532)	(2,532)
CASH, JANUARY 1	1,120	1,120	0	3,652	3,652	0
CASH, DECEMBER 31	642	2,068	1,426	3,652	1,120	(2,532)
<u>R-1 COPS IN SCHOOL FUND</u>						
RECEIPTS						
Intergovernmental	30,144	23,415	(6,729)	0	0	0
Interest	650	81	(569)	0	0	0
Transfers in	0	7,349	7,349	0	0	0
Total Receipts	30,794	30,845	51	0	0	0
DISBURSEMENTS						
Salaries	30,144	28,343	1,801	0	0	0
Total Disbursements	30,144	28,343	1,801	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	650	2,502	1,852	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	650	2,502	1,852	0	0	0
<u>CONTROLLED SUBSTANCE ENFORCEMENT ACTIVITY FUND</u>						
RECEIPTS						
Intergovernmental	20,000	15,124	(4,876)	0	0	0
Total Receipts	20,000	15,124	(4,876)	0	0	0
DISBURSEMENTS						
Salaries	10,000	4,674	5,326	0	0	0
Equipment	10,000	3,984	6,016	0	0	0
Other	0	6,466	(6,466)	0	0	0
Total Disbursements	20,000	15,124	4,876	0	0	0
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

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

Exhibit B

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

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>COPS 2000 GRANT FUND</u>						
RECEIPTS						
Intergovernmental	0	22,432	22,432	0	0	0
Interest	0	113	113	0	0	0
Transfers in	0	12,392	12,392	0	0	0
Total Receipts	0	34,937	34,937	0	0	0
DISBURSEMENTS						
Salaries	0	34,785	(34,785)	0	0	0
Total Disbursements	0	34,785	(34,785)	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	152	152	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	152	152	0	0	0
<u>SOUTH VAN BUREN SEWER O & M FUND</u>						
RECEIPTS						
Intergovernmental	0	38,805	38,805	0	0	0
Interest	0	226	226	0	0	0
Total Receipts	0	39,031	39,031	0	0	0
DISBURSEMENTS						
Interest payment	0	3,744	(3,744)	0	0	0
Total Disbursements	0	3,744	(3,744)	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	35,287	35,287	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	35,287	35,287	0	0	0
<u>CVRBD FUND</u>						
RECEIPTS						
Intergovernmental	0	1,565	1,565	0	0	0
Interest	0	29	29	0	0	0
Total Receipts	0	1,594	1,594	0	0	0
DISBURSEMENTS						
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,594	1,594	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	1,594	1,594	0	0	0

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

Notes to the
Financial Statements

CARTER COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Carter 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, Senior Citizens Service Tax Board, or the Senate Bill 40 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 generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

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

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

<u>Fund</u>	<u>Years Ended December 31.</u>
Law Library Fund	2001 and 2000
Associate Circuit Interest Fund	2001 and 2000
Cops 2000 Grant Fund	2001
South Van Buren Sewer O&M Fund	2001
CVBRD Fund	2001
Salary Fund	2001
Cops in School R-2 Fund	2000

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

<u>Fund</u>	<u>Years Ended December 31.</u>
Health Center Fund	2001
Prosecuting Attorney Bad Check Fund	2000*
Domestic Violence Fund	2000
Sheriff's Fees Fund	2001
South Van Buren Sewer District Fund (Primarily due to timing of expenditures)	2001
Carter County Board for Handicap	2000

*Revenue was budgeted, no expenditures were budgeted.

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

A deficit budget balance is presented for the Prosecuting Attorney Bad Check Fund for the year ended December 31, 2001 and South Van Buren Sewer District Fund for the year ended December 31, 2000.

D. Published Financial Statements

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

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

<u>Fund</u>	<u>Years Ended December 31.</u>
Health Center Fund	2001 and 2000
Senate Bill 40 Fund	2001 and 2000
Law Library Fund	2001 and 2000
Associated Circuit Clerk Interest Fund	2001 and 2000
Circuit Clerk Interest Fund	2001 and 2000

E. New Reporting Standard

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected. The County is required to implement this standard for the fiscal year ending December 31, 2002. The County has not yet determined the full impact that adoption of GASB Statement 34 will have on the financial statements.

F. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 2000, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

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

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

The Carter County Board for Handicapped deposits at December 31, 2001 and 2000 were entirely covered by federal depository insurance.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositories to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

Supplementary Schedule

Schedule

CARTER COUNTY, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2001	2000
U.S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Department of Health –				
10.557	Special Supplemental Nutrition Program For Women, Infants, and Children	ERS0117	27,009.00	25,543.90
Office of Administration –				
10.665	Schools and Roads- Grants to States	N/A	28,498.74	129,068.38
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.710	Public Safety Partnership and Community Policing Grants	19995HWX0665	61,504.57	16,375.13
U.S. DEPARTMENT OF DEFENSE				
Passed through state:				
12.112	Office of Administration- Payments to States in Lieu of Real Estate Taxes	N/A	91,735.00	64,299.00
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
14.228	Department of Economic Development – Community Development Block Grants/State’s Program	98-PF-07	34,746.56	37,844.88

Schedule

CARTER COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2001	2000
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Health –				
93.268	Immunization Grants	PG0064-01171AP	11,152.00	
93.197	Childhood Lead Poisoning Prevention Projects	ER0146-0117CLPP	7,798.97	
93.575	Child Care and Development Block Grant	PGA067-0117S	1,320.00	1296.98
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer	ER0161-90033	10,287.00	2325.00
93.991	Preventive Health and Health Services	AOCC00380202	32,271.34	29,570.33
93.994	Maternal and Child Health Services	ERO146-0117MCH	14,976.00	7,850.63
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Passed through state Department of Public Safety:				
83.534	Emergency Management – State and Local Assistance	N/A	4,579.39	3,082.66
83.544	Public Assistance Grants			
	40% DNR Grant		431,350.00	244,250.00
	USDA Rural Development		62,484.41	934,255.20
	DED CDBG		49,725.67	363,574.33
	Transportation Enhancement Fund Agreement			227,040.00
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>861,639.68</u>	<u>2,094,175.39</u>

N/A – Not Applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule

Notes to the Supplementary Schedule

CARTER 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 Carter 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 Surplus Property (CFDA number 39.003) represent the estimated fair market value of property received.

2. Subrecipients

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

FEDERAL AWARDS –
SINGLE AUDIT SECTION

Auditor's Report

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 Carter County, Missouri,

Compliance

We have audited the compliance of **Carter 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 program for the years ended December 31, 2001 and 2000. The county's major federal program is 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 the major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the count's compliance based on our audit.

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

In our opinion, **Carter County, Missouri**, complied, in all material respects, with the requirements referred to above that are applicable to the major federal program for the years ended December 31, 2001 and 2000.

Internal Control over Compliance

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

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

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

Krauss and Head, L.L.P.
Business Consultants and
Certified Public Accountants

Original Signed by Auditor

St. Louis, MO 63011
June 5, 2002

Schedule

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

Auditee qualified as a low-risk auditee? yes no

Section II – Financial Statement Findings

There are 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

There are no matters to be reported.

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

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

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Carter County, Missouri, on the applicable findings in a prior audit report issued for the two years ended December 31, 1999.

There are no findings to address.

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

CARTER 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 county does not have adequate procedures in place to track federal awards for the preparation of the SEFA. For the years ended December 31, 1999 and 1998, the county's SEFA contained numerous errors and omissions.

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

RECOMMEND: The County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

STATUS:

Implemented

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report-
Auditor's Findings

CARTER COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT
AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Carter County, Missouri, as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 5, 2002. We also have audited the compliance of Carter 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 the major federal program for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 5, 2002.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures, as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

The accompanying Management Advisory Report presents our findings reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audits of the special-purpose financial statements of Carter County but do not meet the criteria for inclusion in the written report on compliance and on inter control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

**CARTER COUNTY
MANAGEMENT ADVISORY COMMENTS**

1. RECORDS RETENTION

The Treasurer disposed of all of the deposit notification forms received from the Missouri Department of Revenue for the CART sales tax during 2000 and 2001. These forms are important information for the County to retain. The County should request copies of these forms from Missouri Department of Revenue.

AUDITEE'S RESPONSE

The County will attempt to replace the forms disposed of.

2. EMPLOYEE'S MANUAL

The County does not have a comprehensive employee manual as was mentioned in the last audit report.

AUDITEE'S RESPONSE

The County will attempt to write a comprehensive employee manual.

3. ERRORS IN PAYROLL REPORTING

Wages listed on the quarterly payroll tax return for the fourth quarter 2001 are not the same as the amounts on the state unemployment tax return. The County has not provided any way to reconcile these differences.

AUDITEE'S RESPONSE

The County is investigating the need to file amended payroll tax returns for the period in question.

4. SEGREGATION OF DUTIES

Several departments, such as the Sheriff's Department, the Collector's Office, and the Circuit Clerk's Office have several duties concentrated in one person. These duties include receipt of cash or checks, posting to subsidiary ledgers, making deposits, writing checks and making bank reconciliations.

In the case of the Sheriff's Department, one person performed all of the above duties, although other people in the department could have been utilized for other functions. It had been represented to us that bank reconciliations were done monthly, but none was available for the month ended December 2001. We attempted to reconcile the account and found a slight difference of \$8.00. We recommend that the Sheriff's Department segregate the duties of cash receipts, making deposits, writing checks and making bank reconciliations. In addition, we recommend that the Sheriff review the bank reconciliations on a monthly basis.

AUDITEE'S RESPONSE

The County will consider what it can do to segregate duties, given the limited personnel that are available.

5. **HEALTH CENTER**

A. VOUCHING SYSTEM

The Health Center does not currently utilize purchase orders for purchase of consumable items to verify vendor invoice prices or to act as a receiving document that could be utilized to verify vendor quantities billed. It was noted that some packing slips utilized by the vendor were kept by the Health Center and utilized as a means to verify vendor quantities.

AUDITEE'S RESPONSE

The Health Center will consider employing a purchase order system.

B. CANCELLATION OF VENDOR INVOICES

The Health Center currently staples a check stub to vendor invoices to evidence payment. The check stub could easily be separated from the vendor invoice allowing the vendor invoice to be paid again. All vendor invoices should be stamped paid when the check is issued.

AUDITEE'S RESPONSE

The Health Center indicated a willingness to obtain a stamp and mark all vendor invoices as being paid when the check is issued.

C. VENDOR DISCOUNTS

Some vendors allow a discount for payment of purchases made on a timely basis. In one instance, the Health Center made a payment of the vendor invoice on a timely basis, but did not take advantage of the vendor discount. The Health Center should review vendor invoices and when worthwhile, pay vendor invoices in time to take discounts. In instances in the past when vendor discounts should have been taken based on the date the payment has been made, the Health Center should ask the vendor to issue a credit to be utilized in the future.

AUDITEE'S RESPONSE:

The health Center will more closely review vendor invoices for discounts and take advantage of discounts in the future.

D. BIDS OBTAINED FROM VENDORS

Once in the past two years, computers were purchased from a vendor that was not the low bid. When Health Center personnel were questioned with regard to the purchase, it was indicated that a bid from a supplier was selected because of the vendor's good history of dealing with the Health Center. The Board did not document this in their minutes. We recommend in all instances where the low bid is not selected, the Health Center document the exact reasons in Board minutes why the low bid were not selected.

AUDITEE'S RESPONSE

The Health Center will take this into consideration.

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

Follow-Up on Prior Audit Findings

CARTER 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 Carter County, Missouri, on findings in the Management Advisory Report (MAR) of the prior audit report issued for the two years ended December 31, 1999.

1.	County Bonds
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During a review of bond coverage for officials and other county-paid employees who handle monies, the following concerns were noted.

- A. The Assessor's bond expired August 31, 1997 and was not renewed until March 2, 2000. Section 53.040, RSMo, 1994 states that the Assessor shall be bonded for a minimum of \$1,000.
- B. County-paid employees who handle monies were not covered by any employee bond during the two years ended December 31, 1999. Properly bonding all persons with access to monies would better protect the officials and county from risk of loss.

RECOMMEND the County Commission obtain adequate bond coverage for all officials and other county employees with access to monies.

STATUS

Implemented.

2.	Personnel Policies and Procedures
-----------	--

- A. The County does not have a comprehensive employee manual. Such a manual should detail personnel matters, such as vacation and sick leave policies, overtime and compensatory time policies, employee duties and responsibilities, lines of authority, grievance procedures, and any other items of interest to employees.

A comprehensive employee manual which summarizes both written and unwritten policies can benefit both county officials and employees by providing a basic understanding between management and employees regarding each other's rights and responsibilities. It can also help ensure that management's policies are fairly and consistently applied to all county employees. The County Commission has not established formal written policies and procedures to ensure operations are conducted in compliance with applicable legal provisions and to assist employees in properly performing their assigned responsibilities.

- B. The Sheriff receives a mileage allowance for use of his personal vehicle for county business. The Sheriff was not required to submit mileage reimbursement requests

for this allowance. However, this mileage allowance is not included on the Sheriff's W-2 form at year end. In addition, uniform allowances of \$25 a month were paid to the Sheriff and deputies during the two years ended December 31, 1999. These allowances totaled \$750 and \$950 for the years ended December 31, 1999 and 1998, respectively. The Sheriff and deputies are not required to submit invoices or an itemized expense report to support the allowance, nor are uniform allowances reported on W-2 forms.

IRS Regulations 1.62-2(h) and 31.3401(a)-4(b) specifically require employee business expenses not accounted for to the employer to be considered gross income and payroll taxes to be withheld from the undocumented payments. Procedures have not been established to ensure that IRS regulations are followed. As a result, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

- C. The Sheriff's deputies submit mileage reimbursement requests for transporting prisoners in their personal vehicles. As this mileage is accounted for to the County Commission, it is considered an expense reimbursement and is not taxable to the employee. However, the County issued 1099's to deputies for these reimbursements.

RECOMMEND The County Commission:

- A. Establish written policies and procedures to ensure operations are conducted in compliance with applicable legal provisions and to assist employees in properly performing their assigned duties.
- B. Ensure that mileage and uniform allowances are included on employee W-2 forms in compliance with IRS reporting requirements.
- C. Ensure that amounts reported on 1099 forms do not include amounts for mileage reimbursement which have already been properly accounted for.

STATUS

- A. Not Implemented
- B.C. Implemented. The Sheriff now has a car and no mileage/uniform allowance is given.

3. County Collector's Accounting Controls and Procedures

- A. The County Collector is required by Section 139.160, RSMo 1994, to file an annual settlement with the County Clerk by the first Monday in March of each year. As of May 25, 2000 the former County Collector had not filed an annual settlement for the year ended February 28, 1999. In addition, the former Collector did not disburse collections in a timely manner. Collections for the month of February 1999 were not disbursed until July 1999 and interest earned during the year ended February 28, 1999 was not distributed until January 2000. Also noted was that the current County Collector, who took office March 1, 1999, had not filed the annual settlement for the year ended February 29, 2000 as of May 25, 2000.

For the County Clerk to properly verify the various tax books, the County Collector needs to file annual settlements on a timely basis. In addition, timely annual settlements and distributions of funds are an essential part of the checks and balances system established by state law.

- B. The review of commissions withheld on current tax collections by the County Collector and paid to General Revenue disclosed calculation errors for the year ended February 29, 2000. Section 52.260, RSMo 1994, allows commissions of two and one-half percent on the first \$350,000 of current taxes collected and one percent on current collections over \$350,000. The County Collector withheld commissions at the rate of one percent on all current collections for the year ended February 29, 2000. In addition, errors were made in calculating the one-half percent mailing commission allowed under Section 52.250, RSMo 1994. The county receives all of the commissions retained from current tax collections. As a result of the errors noted above, the General Revenue Fund did not receive approximately \$9,600 in commissions that was distributed to political subdivisions.
- C. During a review of delinquent property taxes, it was brought to the auditors attention that there have been instances in which individuals are paying property taxes on land that they do not own. In most of these instances, the County Collector does not have the current address of the actual landowner or heir. Since the property taxes are paid by other individuals, these properties are not sold by the county at tax sale. Received was a list of twenty-two landowners that could not be located by the County Collector. Through use of Internet search engines, the auditors were able to tentatively identify and locate four of these property owners. The auditors forwarded these potential addresses to the County Collector.

The County Collector should make every reasonable effort to ensure that property owners receive their tax bills.

RECOMMEND the County Collector:

- A. Ensure annual settlements are filed as required by state law and ensure funds collected are distributed in a timely manner.
- B. Recalculate commissions for the year ended February 29, 2000, and withhold from the various political subdivisions' future distributions to correct for the error in commission calculation.
- C. Make every reasonable effort, including the use of internet resources to identify current landowner addresses, to ensure that property owners actually receive their tax bills.

STATUS

- A. Implemented
- B. Implemented
- C. Implemented as much as possible.

4.**Circuit Clerk's Accounting Controls and Procedures**

- A. The Circuit Clerk's bank accounts were not adequately covered by collateral securities from December 1998 through March 1999, and therefore, monies were unsecured by various amounts during this time. In December 1998, when balances were at their highest, approximately \$528,300 was unsecured.

Section 483.312, RSMo 1998, requires the value of securities pledged by banks holding circuit court funds shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave public funds unsecured and subject to loss in the event of bank failure.

To ensure sufficient collateral securities are pledged, the Circuit Clerk should enter into depositary agreements with the banks to require collateral securities to be pledged whenever balances exceed FDIC coverage. In addition, total amounts on deposit should be routinely monitored to ensure amounts pledged are sufficient.

- B. Monthly listings of open items (liabilities) are not prepared on a timely basis. During the two years ended December 31, 1999, these listings were prepared approximately two to three times per year. In addition, these listings are not reconciled to the cash balance. The reconciled bank balance at November 30, 1999 exceeded the total identified open items by approximately \$2,200.

To ensure proper accountability over open cases and ensure monies held in trust by the court are sufficient to meet liabilities, monthly listings of open items should be prepared by the court and reconciled to the reconciled cash balance. Any discrepancies found should be investigated and resolved.

The open items listing included numerous old cases awaiting full collection of fees due. If it appears unlikely the remaining amounts due will be collected, a court order should be obtained to allow the balance in each case to be prorated among the various court costs. Attorney General's Opinion No. 26, 1973 to Osborne, concluded that "If, when liability has been established, accrued costs cannot be collected in full, charges not having any statutory priority or not allocated under court rule should be prorated."

Old inactive case balances increase the volume of cases which must be monitored and controlled, putting a greater burden on limited personnel resources. In addition, failure to prorate available monies when it is unlikely the balance will be collected, deprives the state and county of the use of those monies.

RECOMMEND the Circuit Clerk:

- A. Monitor the bank account balances and ensure the depositary bank pledges adequate securities at all times in accordance with state law.
- B. Prepare a complete listing of open items for each account on a monthly basis and reconcile the listing to the cash balance. Any discrepancies should be investigated

and resolved. In addition, along with the Circuit Judge, review the older cases and determine the appropriate disposition of funds being held on inactive cases.

STATUS

Not Implemented.

5. Associate/Probate Division's Accounting Controls and Procedures

The Associate/Probate Division processed receipt of approximately \$198,300 and \$234,748 in 1999 and 1998, respectively. We noted the following concerns regarding Associate/Probate Division Operations.

- A. A listing of accrued costs owed to the court is not maintained by the Associate Clerk. The Associate Judge indicated he periodically reviews open files. However, a complete and accurate accrued costs listing would allow the Associate Clerk to more easily review the amounts owed to the court, and take appropriate steps to ensure all amounts owed are collected on a timely basis.
- B. Monthly listings of open items (liabilities) are not prepared on a timely basis. Although the court is working on a current listing, the last open items listing was prepared as of December 31, 1997. That listing totaled \$15,923, \$5,310 less than the reconciled book balance.

To ensure proper accountability over open cases and ensure monies held in trust by the court are sufficient to meet liabilities, monthly listings of open items should be prepared by the court and reconciled to the reconciled cash balance. Any discrepancies found should be investigated and resolved.

The open items listing included numerous old cases awaiting full collection of fees due. If it appears unlikely the remaining amounts due will be collected, a court order should be obtained to allow the balance in each case to be prorated among the various court costs. Attorney General's Opinion No. 26, 197 to Osborne, concluded that "If, when liability has been established, accrued costs cannot be collected in full, charges not have any statutory priority or not allocated under court rule should be prorated."

Old inactive case balances increase the volume of cases which must be monitored and controlled, putting a greater burden on limited personnel resources. In addition, failure to prorate available monies when it is unlikely the balance will be collected, deprives the state and county of the use of those monies.

- C. Checks totaling over \$671 have been outstanding longer than one year and were still carried on the books at December 31, 1999. If the payees cannot be located, various statutory provisions provide for the disposition of unclaimed monies.

Sections 50.470 through 50.500, RSMo 1994, provide for certain monies to be turned over to the County Treasurer for credit to the Unclaimed Fees Fund and Sections 447.500 through 447.595, RSMo 1994, provide for some unclaimed property to be distributed to the state's Unclaimed Property Section.

- D. Monies received are not deposited on a timely basis. During the audit period, deposits were made approximately once or twice a week.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed \$100.

- E. During a review of the Associate Circuit Interest Fund, it was noted one expenditure for \$641 for which adequate supporting documentation was not retained. While the Associate Judge approved the expenditure, it was not supported by an itemized invoice. To ensure the validity and propriety of expenditures, adequate supporting documentation should be maintained for all payments to vendors.

Conditions similar to A., B., C., and D. were noted in our prior report.

RECOMMEND the Associate/Probate Division:

- A. Maintain a listing of accrued costs to help pursue timely collection.
- B. Prepare a complete listing of open items for each account on a monthly basis and reconcile the listing to the cash balance. Any discrepancies should be investigated and resolved. In addition, along with the Associate Judge, review the older cases and determine the appropriate disposition of funds being held on inactive cases.
- C. Attempt to contact the payees of old outstanding checks. If the payees cannot be located, the balance should be distributed in accordance with applicable statutory provisions.
- D. Deposit receipts intact daily or when accumulated receipts exceed \$100.
- E. Maintain adequate supporting documentation on expenditures from the Associate Circuit Interest Fund.

STATUS

- A. Not implemented.
- B. Not implemented.
- C. Not implemented.
- D. Implemented.
- E. Implemented.

6.**Sheriff's Accounting Controls and Procedures**

A. The Sheriff's Office processed receipts of approximately \$26,005 and \$33,564 in 1999 and 1998 respectively. We noted the following areas where the record-keeping system and internal controls could be improved:

1. During the year ended December 31, 1998, noted were several instances where money was receipted but could not be traced to a deposit. Bond and gun permit receipts totaling \$300 could not be traced to deposits and therefore, it appears a shortage exists.

During the prior audit of the three years ended December 31, 1997, it was also noted receipts totaling \$340 which could not be traced to deposits. The auditors recommended the Sheriff investigate these discrepancies and take action to ensure the undeposited receipts were recovered, or the Sheriff personally reimburse these amounts. Several recommendations were also made to help ensure the proper accounting for future receipts. While the Sheriff responded that those recommendation had been or would be implemented, most of the recommendations were not implemented, and monies are again unaccounted for.

2. The Sheriff's office accepts cash, checks, and money orders for payment of fees, gun permits, and bonds. Receipt slips are not issued for some monies received and the method of payment is not always marked on receipt slips issued. In addition, there is no accounting of the numerical sequence of receipt slips issued.

To ensure receipts are accounted for properly, prenumbered receipt slips should be issued for all monies received and total cash, checks, and money orders should be reconciled to bank deposits and monthly reports. In addition, the numerical sequence of receipt slips issued should be accounted for.

3. Receipts are not deposited intact on a timely basis. During the two years ended December 31, 1999, receipts were deposited approximately every one to two weeks. In addition, individual cash receipts comprising the deposit are not always indicated on the deposit slip. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed \$100. In addition, individual receipts should be indicated on the deposit slip.
4. Bank reconciliations were not prepared for the Sheriff's account. The preparation of bank reconciliations is necessary to ensure accounting records agree with bank records and errors are discovered on a timely basis.
5. Monies are deposited to the fee account and remitted to the County Treasurer on a monthly basis; however, the Sheriff does not file a formal monthly report of fees with the County Commission. Section 50.370, RSMo 1994, requires that an itemized and accurate list of fees collected be filed by county officials with the County Commission monthly.

6. The Sheriff's office receives service fees from courts and other counties for the service of summonses. A complete listing of accrued costs owed to the Sheriff's office is not maintained and monitoring procedures related to accrued costs are not adequate. A complete and accurate accrued costs listing would allow the Sheriff to more easily review the amounts owed for service fees, and take appropriate steps to ensure all amounts owed are collected on a timely basis.
- B. The duties of cash custody and record keeping have not been adequately segregated. The Sheriff's office manager is primarily responsible for collecting, recording, depositing, and disbursing all monies; however, the Sheriff's deputies and dispatchers may also receipt money. There are no documented reviews of the accounting records performed by the Sheriff or another supervisor.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- C. 1. During the two years ended December 31, 1999 and 1998, the county paid approximately \$38,653 and \$34,564, respectively, to other counties and cities to house Carter County prisoners. There are no written agreements between the county and the other counties or cities.

Section 432.070, RSMo 1994, requires all agreements to be in writing. Without written agreements, the responsibilities of parties to the contract cannot be clearly determined.

2. The Sheriff's office maintains a jail log which includes each prisoners name, the date of arrest, other arrest information and information related to the prisoner's release or transfer. However, the jail log does not always indicate where prisoners are housed. As a result, prisoner board bills cannot be reconciled to the jail log. Without such a reconciliation, the billing cannot be verified and there is less assurance board bills paid by the county are complete and accurate.
3. The county purchases meals from a local restaurant for prisoners temporarily housed in the county's holding cell. The restaurant submits invoices monthly for the total amount due, along with each meal ticket which includes the date and price of the meal. The deputy who picks up the meals signs the meal ticket and usually notes the name of the prisoner. However, we noted some instances where the prisoner name was not noted on the meal ticket.

Since prisoner logs are maintained by prisoner name, all invoices for meals should include the date and the prisoner's name. The meal invoices should be reconciled to the jail log to ensure the invoices are accurate and complete.

- D. An inventory listing of seized property is maintained; however, the listing has not been updated since the Sheriff took office in January 1997. In addition, several items located in the evidence room date back to the early 1980s.

Adequate seized property inventory records are necessary to deter and identify loss, misuse, or theft of such items. An inventory record should include information such as date of seizure, description, persons involved, current location of the property, case name and number, and date and method of release or disposition of the property. In addition, items relating to closed cases should be disposed of according to statutory guidelines.

Conditions similar to A.1 –A.4, B. and C. were also noted in prior audit reports.

RECOMMEND

- A.1. Investigate the \$300 of undeposited receipts and take appropriate action to recover this amount.
2. Issue pre-numbered receipt slips for all monies received, indicate the method of payment, and reconcile total cash, checks, and money orders to bank deposits and monthly reports.
3. Deposit all receipts intact daily or when accumulated receipts exceed \$100. In addition, ensure that individual receipts are listed on the deposit slips.
4. Prepare monthly bank reconciliations.
5. File a monthly report of fees collected with the County Commission.
6. Maintain a complete and accurate listing of accrued costs and pursue timely collection.
- C. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- C.1. And the County Commission enter into a written contract between the county and the various counties and cities regarding the boarding of Carter County prisoners.
2. Ensure jail logs indicate the housing location for each prisoner and reconcile prisoner board bills to jail logs.
3. Reconcile meal invoices to the county jail log.
- D. Maintain a complete and current inventory listing of all seized property. In addition, old evidence from closed cases should be disposed of properly.

STATUS

Implemented. Except C, still a problem with segregation of duties.

A review of county health center operations revealed the following concerns:

- A. The Health Center Board does not have a depositary contract with its bank. A depositary agreement is necessary to ensure both the bank and the board understand and comply with the agreement. Such an agreement may cover issues such as costs of checking accounts and safe deposit boxes, interest charges for borrowed funds, interest to be paid on certificates of deposit, savings accounts, and interest bearing checking accounts, and should include collateral securities required to be pledged.

The Health Center's bank accounts were not adequately covered by collateral securities, and therefore, monies were unsecured by various amounts during the audit period. From July 1998 through July 1999, approximately \$29,500 to \$37,900 was unsecured.

Section 110.020, RSMo 1994, requires the value of securities pledged by banks holding Health Center monies shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave public funds unsecured and subject to loss in the event of bank failure.

To ensure sufficient collateral securities are pledged, the Health Center should enter into depositary agreements with the banks to require collateral securities to be pledged whenever balances exceed FDIC coverage. In addition, total amounts on deposit should be routinely monitored to ensure amounts pledged are sufficient.

- B. Budgets prepared by the Health Center Board of Trustees were not accurate and complete. Noted were the following concerns with budgets and financial statements:
- 1.) The budgets did not include a cash reconciliation for 1999 and 1998. In addition, the January 1, 2000 beginning cash balance was understated by \$270 for the fiscal year 2000 budget.
 - 2.) Various mathematical errors were noted in the budget documents, resulting in inaccurate totals of actual revenue and expenditure amounts.
 - 3.) Actual revenue and expenditure amounts for 1998 were included on both 1999 and 2000 budgets as required by law. However, the amounts did not agree between the 1999 and 2000 budget documents. As a result, the actual amounts presented were erroneous in at least one of the years presented.
 - 4.) Amendments made to line items on the budgets were not properly recorded on the following year's budget. In addition, a budget amendment documented in the Board minutes of May 27, 1999 was not submitted to the County Clerk or to the State Auditor's Office in accordance with Section 50.622, RSMo Cum. Supp. 1997.

It was ruled in State ex rel. Strong v. Cribb, 364 Mo. 1122,273 S.W.2d 246 (1954) that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo Cum. Supp. 1997, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

- 5.) The Health Center did not publish financial statements for the two years ended December 31, 1999 in accordance with Sections 50.800 and 50.810, RSMo 1994.

To be of maximum assistance to the County Commission and to inform the public adequately, the budget documents should be complete and accurate. Similar conditions were noted in our prior report.

C. We noted the following concerns with the financial records of the Health Center:

- 1.) Changes were made to financial records regarding the classification to receipts and disbursements for 1998 after year-end. As a result, the Health Center's financial records no longer agree to actual amounts recorded on the health Center's budget. In addition, no documentation was retained to support these changes and personnel were unclear as to why the changes were made.
- 2.) Interest earned is not recorded in the Health Center's financial records.

To be of maximum assistance to the Health Center, financial records should be complete and accurate.

RECOMMEND the Health Center Board of Trustees:

- A. Enter into a written depositary agreement with any bank which holds board monies. In additions, monitor bank balances to ensure the depositary bank pledges adequate securities at all times in accordance with state law.
- B.1. Include a completed, accurate cash reconciliation with the annual budget.
2. Ensure budget columns are correctly totaled.
3. Ensure actual revenue and expenditure amounts are correctly and consistently recorded on budget documents from one year to the next.
4. Record budget amendments on subsequent years' budgets. In addition, ensure budget amendments are approved according to statutory guidelines and filed with the County Commission and State Auditor's Office.

5. Publish financial statements in accordance with state law.
- C.1. Ensure any changes made to financial records are fully understood and documented and that financial records are in agreement to actual amounts presented on the budget document.
2. Ensure interest is accurately recorded on the financial records.

STATUS

Implemented, execept for B5.