



SULLIVAN COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

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

Report No. 99-71  
September 2, 1999

**AUDIT REPORT**



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

May 2000

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

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

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

- ▶ The audit questioned the financial condition of the Sullivan County Memorial Hospital and the county's handling of tax anticipation notes obtained at the request of the Hospital Board. A related problem of the hospital not meeting its financial obligations to the Internal Revenue Service for employee payroll withholdings and required employer payroll matching contributions was also noted.

The audit recommended improvements in personnel policies and procedures, computer controls and better documentation of actions by the Sullivan County Salary Commission. It further suggested improvements be made by the Sullivan County 911 Board. Also included in the audit are recommendations regarding the Sheriff's accounting controls and procedures and various segments of the consolidated Sullivan County Circuit Court.

YELLOW SHEET

SULLIVAN COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

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

To the County Commission  
and  
Officeholders of Sullivan County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Sullivan County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and 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 Sullivan 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 Sullivan County.

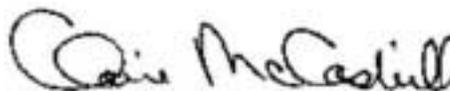
In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Sullivan County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

Sullivan County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 4, 1999, 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 opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

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



Claire McCaskill  
State Auditor

March 4, 1999 (fieldwork completion date)



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

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

To the County Commission  
and  
Officeholders of Sullivan County, Missouri

We have audited the special-purpose financial statements of various funds of Sullivan County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 4, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

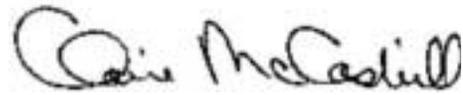
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Sullivan County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance 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 Sullivan 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 Sullivan 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.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill  
State Auditor

March 4, 1999 (fieldwork completion date)

## Financial Statements

Exhibit A-1

SULLIVAN COUNTY, MISSOURI  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
 YEAR ENDED DECEMBER 31, 1998

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 262,881	816,152	857,522	221,511
Special Road and Bridge	517,567	1,093,076	1,173,930	436,713
Assessment	0	104,661	100,396	4,265
Law Enforcement Training	2,656	2,984	4,358	1,282
Prosecuting Attorney Training	430	726	640	516
Prosecuting Attorney Delinquent Tax	1,157	182	294	1,045
Prosecuting Attorney Bad Check	5,591	4,995	4,004	6,582
Child Support Enforcement	1,693	61,993	61,978	1,708
Sheriff/Law Enforcement	3,971	5,245	7,015	2,201
Health Center	381,402	388,653	421,884	348,171
911 Board	124,523	202,825	115,450	211,898
Victims of Domestic Violence	335	340	665	10
Recorder User Fee	9,949	3,907	6,257	7,599
Circuit Clerk Interest	1,300	686	718	1,268
Associate Divison Interest	3,487	1,528	2,775	2,240
Law Library	92	745	705	132
Community Development Block Grant	0	4,731	4,695	36
Total	\$ 1,317,034	2,693,429	2,763,286	1,247,177

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, 1997

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 176,703	763,137	676,959	262,881
Special Road and Bridge	365,855	1,399,645	1,247,933	517,567
Assessment	2,357	85,430	87,787	0
Law Enforcement Training	1,846	2,646	1,836	2,656
Prosecuting Attorney Training	407	1,075	1,052	430
Prosecuting Attorney Delinquent Tax	947	210	0	1,157
Prosecuting Attorney Bad Check	5,401	5,948	5,758	5,591
Child Support Enforcement	2,223	64,101	64,631	1,693
Sheriff/Law Enforcement	1,435	2,662	126	3,971
Health Center	368,430	368,198	355,226	381,402
911 Board	0	162,478	37,955	124,523
Victims of Domestic Violence	0	335	0	335
Recorder User Fee	6,520	3,429	0	9,949
Circuit Clerk Interest	1,011	1,063	774	1,300
Associate Division Interest	1,010	2,501	24	3,487
Law Library	80	767	755	92
Community Development Block Grant	0	319,142	319,142	0
Total	\$ 934,225	3,182,767	2,799,958	1,317,034

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  
 GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>RECEIPTS</b>						
Property taxes	\$ 175,700	182,105	6,405	137,700	152,742	15,042
Sales taxes	390,000	369,453	-20,547	380,000	393,436	13,436
Intergovernmental	12,100	8,567	-3,533	9,300	11,834	2,534
Charges for services	129,200	147,150	17,950	105,100	135,962	30,862
Interest	24,000	24,763	763	10,000	12,108	2,108
Other	50,800	54,114	3,314	46,500	53,555	7,055
Transfers in	40,000	30,000	-10,000	1,000	3,500	2,500
Total Receipts	<u>821,800</u>	<u>816,152</u>	<u>#VALUE!</u>	<u>689,600</u>	<u>763,137</u>	<u>#VALUE!</u>
<b>DISBURSEMENTS</b>						
County Commission	53,500	51,487	2,013	54,250	50,642	3,608
County Clerk	47,822	47,262	560	45,656	44,998	658
Elections	36,000	35,250	750	13,000	19,876	-6,876
Buildings and grounds	273,802	206,259	67,543	70,052	65,889	4,163
Employee fringe benefits	36,000	31,624	4,376	35,000	33,290	1,710
County Treasurer	42,099	41,792	307	41,181	41,122	59
Ex-Officio Collector	4,000	3,557	443	5,000	4,555	445
Ex Officio Recorder of Deeds	14,950	14,888	62	15,323	15,064	259
Circuit Clerk/Consolidated Courts	13,937	13,402	535	10,914	10,541	373
Court administration	20,948	16,347	4,601	10,637	7,406	3,231
Public Administrator	19,810	14,579	5,231	19,550	19,271	279
Sheriff	185,304	176,112	9,192	200,127	193,308	6,819
Jail	38,250	66,954	-28,704	50,500	35,293	15,207
Prosecuting Attorney	39,999	40,527	-528	38,899	40,172	-1,273
Juvenile Officer	34,920	31,495	3,425	31,185	29,351	1,834
County Coroner	5,640	6,030	-390	5,540	5,404	136
Local Emergency Planning	1,500	239	1,261	3,200	1,833	1,367
Child Support Enforcement	1,003	506	497	1,302	654	648
Other	52,150	55,212	-3,062	50,900	52,751	-1,851
Transfers out	24,290	4,000	20,290	3,691	5,233	-1,542
Emergency Fund	33,000	0	33,000	26,000	306	25,694
Total Disbursements	<u>978,924</u>	<u>857,522</u>	<u>121,402</u>	<u>731,907</u>	<u>676,959</u>	<u>54,948</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	-157,124	-41,370	#VALUE!	-42,307	86,178	#VALUE!
CASH, JANUARY 1	262,881	262,881	0	176,703	176,703	0
CASH, DECEMBER 31	<u>\$ 105,757</u>	<u>221,511</u>	<u>#VALUE!</u>	<u>134,396</u>	<u>262,881</u>	<u>#VALUE!</u>

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

Exhibit C

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

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>RECEIPTS</b>						
Intergovernmental	\$ 1,220,000	1,002,850	-217,150	1,480,000	1,326,100	-153,900
Charges for services	10,000	44,064	34,064	12,000	54,733	42,733
Interest	30,000	30,740	740	17,000	14,748	-2,252
Other	23,000	15,422	-7,578	0	4,064	4,064
Total Receipts	<u>1,283,000</u>	<u>1,093,076</u>	<u>-189,924</u>	<u>1,509,000</u>	<u>1,399,645</u>	<u>-109,355</u>
<b>DISBURSEMENTS</b>						
Salaries	127,000	113,571	13,429	125,000	121,866	3,134
Employee fringe benefits	20,200	16,322	3,878	22,600	19,693	2,907
Supplies	11,000	5,792	5,208	14,800	10,618	4,182
Insurance	4,600	4,057	543	4,400	4,617	-217
Road and bridge materials	195,000	257,204	-62,204	181,000	127,448	53,552
Equipment repairs	9,000	5,035	3,965	10,000	8,415	1,585
Equipment purchases	80,000	77,664	2,336	40,000	36,384	3,616
Construction, repair, and maintenance	839,000	611,918	227,082	1,000,000	840,766	159,234
Engineering	50,000	48,275	1,725	120,000	76,336	43,664
Other	4,000	4,092	-92	11,500	1,790	9,710
Transfers out	30,000	30,000	0	40,000	0	40,000
Total Disbursements	<u>1,369,800</u>	<u>1,173,930</u>	<u>195,870</u>	<u>1,569,300</u>	<u>1,247,933</u>	<u>321,367</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	-86,800	-80,854	5,946	-60,300	151,712	212,012
CASH, JANUARY 1	517,567	517,567	0	365,855	365,855	0
CASH, DECEMBER 31	<u>\$ 430,767</u>	<u>436,713</u>	<u>5,946</u>	<u>305,555</u>	<u>517,567</u>	<u>212,012</u>

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

Exhibit D

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

	Year Ended December 31,						
	1998			1997			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
RECEIPTS							
Intergovernmental	\$ 84,810	84,810	98,847	14,037	82,040	81,173	-867
Charges for services	300	300	614	314	250	337	87
Interest	1,000	1,000	1,200	200	600	1,187	587
Transfers in	14,290	14,290	4,000	-10,290	3,691	2,733	-958
Total Receipts	100,400	100,400	104,661	4,261	86,581	85,430	-1,151
DISBURSEMENTS							
Assessor	100,400	100,400	100,396	4	88,938	87,787	1,151
Total Disbursements	100,400	100,400	100,396	4	88,938	87,787	1,151
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	4,265	4,265	-2,357	-2,357	0
CASH, JANUARY 1	0	0	0	0	2,357	2,357	0
CASH, DECEMBER 31	\$ 0	0	4,265	4,265	0	0	0

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

Exhibit E

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

		Year Ended December 31,					
		1998			1997		
		Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS							
Charges for services	\$	2,500	2,880	380	1,800	2,492	692
Interest		200	104	-96	80	154	74
Total Receipts		2,700	2,984	284	1,880	2,646	766
DISBURSEMENTS							
Sheriff		5,300	4,358	942	3,700	1,836	1,864
Total Disbursements		5,300	4,358	942	3,700	1,836	1,864
RECEIPTS OVER (UNDER) DISBURSEMENTS		-2,600	-1,374	1,226	-1,820	810	2,630
CASH, JANUARY 1		2,656	2,656	0	1,846	1,846	0
CASH, DECEMBER 31	\$	56	1,282	1,226	26	2,656	2,630

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

Exhibit F

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

		Year Ended December 31,					
		1998			1997		
		Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>RECEIPTS</b>							
Charges for services	\$	1,100	726	-374	900	1,070	170
Interest		10	0	-10	0	5	5
Total Receipts		1,110	726	-384	900	1,075	175
<b>DISBURSEMENTS</b>							
Prosecuting Attorney		1,450	640	810	1,250	1,052	198
Total Disbursements		1,450	640	810	1,250	1,052	198
RECEIPTS OVER (UNDER) DISBURSEMENTS		-340	86	426	-350	23	373
CASH, JANUARY 1		430	430	0	407	407	0
CASH, DECEMBER 31	\$	90	516	426	57	430	373

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

Exhibit G

SULLIVAN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 PROSECUTING ATTORNEY DELINQUENT TAX FUND

	Year Ended December 31,						
	1998			1997			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
RECEIPTS							
Intergovernmental	\$	150	161	11	250	125	-125
Interest		90	21	-69	50	85	35
Total Receipts		240	182	-58	300	210	-90
DISBURSEMENTS							
Prosecuting Attorney		700	294	406	1,000	0	1,000
Total Disbursements		700	294	406	1,000	0	1,000
RECEIPTS OVER (UNDER) DISBURSEMENTS		-460	-112	348	-700	210	910
CASH, JANUARY 1		1,157	1,157	0	947	947	0
CASH, DECEMBER 31	\$	697	1,045	348	247	1,157	910

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

Exhibit H

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

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 7,000	4,660	-2,340	4,500	5,608	1,108
Interest	400	335	-65	200	340	140
Total Receipts	7,400	4,995	-2,405	4,700	5,948	1,248
DISBURSEMENTS						
Prosecuting Attorney	9,000	4,004	4,996	10,000	5,758	4,242
Total Disbursements	9,000	4,004	4,996	10,000	5,758	4,242
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,600	991	2,591	-5,300	190	5,490
CASH, JANUARY 1	5,591	5,591	0	5,401	5,401	0
CASH, DECEMBER 31	\$ 3,991	6,582	2,591	101	5,591	5,490

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

Exhibit I

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

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>RECEIPTS</b>						
Intergovernmental	\$ 71,200	61,910	-9,290	74,825	61,390	-13,435
Interest	210	83	-127	167	211	44
Transfers in	10,000	0	-10,000	0	2,500	2,500
<b>Total Receipts</b>	<b>81,410</b>	<b>61,993</b>	<b>-19,417</b>	<b>74,992</b>	<b>64,101</b>	<b>-10,891</b>
<b>DISBURSEMENTS</b>						
Salaries	53,500	53,352	148	51,865	49,116	2,749
Office expenditures	10,800	5,514	5,286	12,300	8,522	3,778
Equipment expenditures	2,200	1,767	433	2,400	144	2,256
Training	4,700	1,345	3,355	4,760	1,505	3,255
Office move	0	0	0	3,500	1,844	1,656
Transfers out	11,500	0	11,500	1,000	3,500	-2,500
<b>Total Disbursements</b>	<b>82,700</b>	<b>61,978</b>	<b>20,722</b>	<b>75,825</b>	<b>64,631</b>	<b>11,194</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>-1,290</b>	<b>15</b>	<b>1,305</b>	<b>-833</b>	<b>-530</b>	<b>303</b>
CASH, JANUARY 1	1,693	1,693	0	2,223	2,223	0
<b>CASH, DECEMBER 31</b>	<b>\$ 403</b>	<b>1,708</b>	<b>1,305</b>	<b>1,390</b>	<b>1,693</b>	<b>303</b>

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

Exhibit J

SULLIVAN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SHERIFF / LAW ENFORCEMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 4,800	4,137	-663	1,200	1,446	246
Interest	300	452	152	100	121	21
Other	1,000	656	-344	0	1,095	1,095
Total Receipts	6,100	5,245	-855	1,300	2,662	1,362
DISBURSEMENTS						
Sheriff	9,000	7,015	1,985	2,700	126	2,574
Total Disbursements	9,000	7,015	1,985	2,700	126	2,574
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,900	-1,770	1,130	-1,400	2,536	3,936
CASH, JANUARY 1	3,971	3,971	0	1,435	1,435	0
CASH, DECEMBER 31	\$ 1,071	2,201	1,130	35	3,971	3,936

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

Exhibit K

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

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>RECEIPTS</b>						
Property taxes	\$ 59,402	66,447	7,045	65,000	64,645	-355
Intergovernmental	77,618	100,021	22,403	73,560	75,803	2,243
Charges for services	102,472	188,475	86,003	210,000	204,944	-5,056
Interest	17,000	18,858	1,858	20,000	17,401	-2,599
Other	5,000	14,852	9,852	15,840	5,405	-10,435
Total Receipts	261,492	388,653	127,161	384,400	368,198	-16,202
<b>DISBURSEMENTS</b>						
Salaries	332,800	330,912	1,888	297,000	284,369	12,631
Office expenditures	73,500	53,056	20,444	51,500	39,454	12,046
Equipment	15,000	8,756	6,244	5,800	3,978	1,822
Mileage and training	19,300	16,609	2,691	15,600	13,710	1,890
Other	15,000	12,551	2,449	14,500	13,715	785
Total Disbursements	455,600	421,884	33,716	384,400	355,226	29,174
RECEIPTS OVER (UNDER) DISBURSEMENTS	-194,108	-33,231	160,877	0	12,972	12,972
CASH, JANUARY 1	381,402	381,402	0	368,430	368,430	0
CASH, DECEMBER 31	\$ 187,294	348,171	160,877	368,430	381,402	12,972

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

Exhibit L

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

		Year Ended December 31,					
		1998			1997		
		Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>RECEIPTS</b>							
	<b>Sales taxes</b>	\$ 195,000	195,741	741	189,000	159,861	-29,139
	Interest	11,101	7,084	-4,017	4,725	2,617	-2,108
	Total Receipts	206,101	202,825	-3,276	193,725	162,478	-31,247
<b>DISBURSEMENTS</b>							
	Project management	37,364	47,761	-10,397	45,000	37,955	7,045
	Signs and hardware	50,000	25,940	24,060	0	0	0
	Remodeling	51,000	36,019	14,981	0	0	0
	Office equipment and supplies	5,000	3,909	1,091	0	0	0
	Training	3,500	0	3,500	5,000	0	5,000
	Radio improvements	21,000	300	20,700	0	0	0
	Miscellaneous	5,000	1,521	3,479	0	0	0
	Total Disbursements	172,864	115,450	57,414	50,000	37,955	12,045
	RECEIPTS OVER (UNDER) DISBURSEMENTS	33,237	87,375	54,138	143,725	124,523	-19,202
	CASH, JANUARY 1	124,523	124,523	0	0	0	0
	CASH, DECEMBER 31	\$ 157,760	211,898	54,138	143,725	124,523	-19,202

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

Exhibit M

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

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 345	340	-5	350	335	-15
Interest	5	0	-5	0	0	0
Total Receipts	350	340	-10	350	335	-15
DISBURSEMENTS						
Shelter	685	665	20	350	0	350
Total Disbursements	685	665	20	350	0	350
RECEIPTS OVER (UNDER) DISBURSEMENTS	-335	-325	10	0	335	335
CASH, JANUARY 1	335	335	0	0	0	0
CASH, DECEMBER 31	\$ 0	10	#VALUE!	0	335	#VALUE!

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

Exhibit N

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

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 3,000	3,386	386	3,000	2,930	-70
Interest	600	521	-79	400	499	99
Total Receipts	3,600	3,907	307	3,400	3,429	29
DISBURSEMENTS						
Recorder	13,000	6,257	6,743	9,500	0	9,500
Total Disbursements	13,000	6,257	6,743	9,500	0	9,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	-9,400	-2,350	7,050	-6,100	3,429	9,529
CASH, JANUARY 1	9,949	9,949	0	6,520	6,520	0
CASH, DECEMBER 31	\$ 549	7,599	#VALUE!	420	9,949	#VALUE!

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 special-purpose 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 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 budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, 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>
Circuit Clerk Interest Fund	1998 and 1997
Associate Division Interest Fund	1998 and 1997
Law Library Fund	1998 and 1997
Community Development Block Grant Fund	1998 and 1997

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, 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>
Circuit Clerk's Interest Fund	1998 and 1997
Associate Division Interest Fund	1998 and 1997
Law Library Fund	1998 and 1997
Community Development Block Grant Fund	1998 and 1997

2. Cash

Section 110.270, RSMo 1994, 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. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

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

Deposits

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depository insurance, by commercial insurance provided through a surety bond, or by collateral securities held by the county's custodial bank in the county's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositories to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

The Health Center's deposits at December 31, 1998 and 1997, were entirely covered by federal depository insurance.

The 911 Board's deposits at December 31, 1998, and 1997, were entirely covered by federal depository insurance or collateral securities held by the board's custodial bank in the board's name.

### Investments

The only investment of the various funds at December 31, 1998 and 1997, was owned by the Health Center and was comprised of a repurchase agreement in a reported amount of \$29,000 and \$55,050, respectively, (which approximated fair value).

This investment was held by the Health Center's custodial bank in the Health Center's name.

### 3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received \$69,146 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be \$39,640. As of December 31, 1998, \$14,864 remains to be paid.

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,	
			1998	1997
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Department of Health - Special				
Supplemental Nutrition Program for				
10.6	Women, Infants, and Children	ER0045-9206 \$	24,306	23,451
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
Department of Economic Development -				
Community Development Block Grants/State's				
14.2	Program	95-HI-01	4,695	319,142
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
State Department of Public Safety -				
Missouri Sheriffs' Association - Domestic				
16.unknown	Cannabis Eradication/Suppression Program	NA	1,666	530
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state Highway and				
Transportation Commission -				
20.2	Off-System Bridge Replacement and			
	Rehabilitation Program	BRO105(7)	0	220,446
		BRO105(8)	23,994	396,563
		BRO105(9)	0	8,548
		BRO105(10)	0	96,958
		BRO105(11)	316,081	25,501
		BRO105(12)	0	33,829
		BRO105(17)	121,564	1,127
		BRO105(18)	15,470	26,519
	Program Total		<u>477,109</u>	<u>809,491</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
93.3	Department of Health - Immunization Grants	PG0064-9206IAP	2,385	1,886
93.6	Department of Social Services - Child Support Enforcement	NA	41,477	39,916

93.6	Child Care and Development Block Grant	PG0067-9206	275	0
	Maternal and Child Health Services			
94.0	Block Grant to the States	ERO146-9206MCH	14,184	12,710
		ERO175-8206FP	<u>2,277</u>	<u>1,035</u>
	Program Total		<u>16,461</u>	<u>13,745</u>
	Total Expenditures of Federal Awards		<u>\$ 568,374</u>	<u>1,208,161</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

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.

Because Sullivan County expended no noncash awards for the years ended December 31, 1998 and 1997, the schedule includes expenditures of cash awards only.

C. Basis of Accounting

The schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1998 and 1997.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

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

To the County Commission  
and  
Officeholders of 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, 1998 and 1997. 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 generally accepted auditing standards; 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.

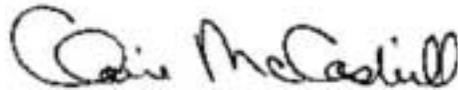
In our opinion, Sullivan County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997.

## 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 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Claire McCaskill  
State Auditor

March 4, 1999 (fieldwork completion date)

Schedule

SULLIVAN COUNTY, MISSOURI  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 (INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
 YEARS ENDED DECEMBER 31, 1998 AND 1997

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

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified?        yes   x   no

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

Noncompliance material to the financial statements noted?        yes   x   no

Federal Awards

Internal control over major program:

Material weakness identified?        yes   x   no

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

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

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

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
14.228	Community Development Block Grants/States Program
20.205	Off-System Bridge Replacement and Rehabilitation Program



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*

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

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

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.

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

4. Monitoring of Subrecipient Federal Financial Assistance

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	Missouri Department of Economic Development
Federal CFDA Number:	14.219
Program Title:	Community Development Block Grants/Small Cities Program
Pass-Through Entity	
Identifying Number:	95-ED-06
Award Years:	1996 and 1995
Questioned costs:	\$0

The county did not review supporting documentation or perform subrecipient monitoring of a CDBG grant passed through to the City of Milan, MO. A total of \$13,445 was paid for sales taxes charged on sixteen invoices related to this grant.

Recommendation:

The County Commission and the County Clerk monitor grant monies to ensure subrecipients are spending federal monies in accordance with applicable laws and regulations and also review invoices and annual audit report of the subrecipient.

Status:

Sullivan County did not pass-through grant monies to subrecipients during the current audit period. If we do pass through grant money, in the future, we will consider this recommendation.

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 special-purpose financial statements of various funds of Sullivan County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 4, 1999. 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, 1998 and 1997, and have issued our report thereon dated March 4, 1999.

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

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

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.

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

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 special-purpose financial statements. However, we reviewed the independent auditor's report for the two years ended June 30, 1997 and the substantiating working papers. The independent auditor's report for the year ended June 30, 1998 has not been released.

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

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials and the county boards referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Sullivan County but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

<b>1. Personnel Policies and Procedures</b>
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During our review of the county's personnel policies and procedures, we noted the following concerns:

- A. Salaried employees in the Sheriff's Department are not required to submit time sheets.

Documentation of actual time worked and of leave and compensatory time earned, taken, and accumulated balances is necessary to ensure employees are properly compensated and treated equitably, and the county is in compliance with county policies and the Fair Labor Standards Act (FLSA). In addition, time sheets are necessary to protect against any unwarranted claims that might occur. The time records should be prepared by the employee, approved by the applicable supervisor, and filed in a central location with the county's payroll records.

- B. The county's written personnel policy needs to be updated to properly reflect required work time policies. Our review of employee time sheets showed that the hours worked by various employees varied significantly. In addition, time sheets showed some employees had worked in excess of 40 hours but received no difference in pay for the extra hours.

Further, the county's written personnel policy does not include detailed policies regarding holidays, vacation, sick leave, time and leave reporting, payment of overtime or granting and use of compensatory time, compensation for unused leave upon termination, or additional compensation if an employee declines health insurance.

- C. In February 1999, the county hired several dispatchers and began providing services for emergency dispatching (911). A review of the dispatchers' February time sheets showed that regardless of the number of days worked dispatchers were paid a full month's salary. Hours worked during February ranged from 89 to 129 hours. Additionally, some dispatchers' time sheets indicated the employee worked more than forty hours in one week, but did not receive compensation at one and one half times the normal rate as required by the FLSA.

The county's written policy should be expanded to address situations in which overtime may be necessary, document how overtime or compensatory time will be awarded, and ensure compliance with the FLSA. The county should consider consulting with the Department of Labor to determine which employees are exempt from overtime requirements, and incorporate any exemptions noted into the official overtime policy. The official policy should then be applied equally to all employees.

Complete and detailed written policies are necessary to provide guidance to county employees, provide a basis for proper compensation, ensure equitable treatment among employees, and avoid misunderstandings.

Conditions similar to A and B were noted in the prior report.

**WE RECOMMEND** the County Commission:

- A. Require all county employees to complete time sheets which reflect actual time worked. The records should be prepared by employees, approved by the applicable supervisor, and filed in a central location with the county's payroll records.
  
- B&C. Revise and expand the county's written personnel policies regarding holidays, vacation, sick leave, time reporting, and payment of overtime for all employees to address all relevant issues and ensure that all policies and procedures are applied equitably and in compliance with the FLSA. In addition, the county should ensure it has appropriately paid overtime at the employee's time and one half rate when required under the FLSA.

**AUDITEE'S RESPONSE**

- A. *We have implemented this recommendation.*
  
- B&C. *We will revise and expand our written personnel policy manual by using the generic personnel policy available from the Missouri Association of Counties as a guide. We will also pay overtime when required by the FLSA.*

<b>2. Tax Anticipation Note</b>
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For the last several years the county has been issuing a tax anticipation note at the request of the Sullivan County Memorial Hospital Board. Issuance of tax anticipation notes is authorized under Sections 50.070 through 50.140, RSMo 1994. During our review of these transactions, we noted the following concerns:

- A. The tax anticipation notes issued by the county did not comply with several requirements of Sections 50.070 thru 50.140, RSMo 1994. In addition, some county officials did not

perform certain tasks required by those statutes. The county did not ensure the tax anticipation notes were prepared, signed, sealed, bid, advertised, and registered in accordance with statutory provisions. In the future, the county should comply with all statutory provisions regarding the issuance of tax anticipation notes.

- B. The tax anticipation note issued in February 1999 for \$185,000 was disbursed to the Sullivan County Memorial Hospital. Section 50.090, RSMo 1994, states the note ". . . when issued shall be in proportion to the total estimated revenue as follows: Not to exceed ten percent in any one month in any year . . ." The total anticipated tax revenue was estimated to be \$240,000 for the 1999 tax year. Through February, the maximum allowable issuance was \$48,000. As a result, the issuance apparently exceeded the statutory amount by \$137,000. See MAR No. 8 for additional findings regarding the hospital.

By not handling the tax anticipation notes in compliance with statutory provisions the county may be exposed to additional liability if the note is not paid by the hospital.

The county should ensure tax anticipation notes are prepared, signed, sealed, bid, advertised, registered, and issued in accordance with statutory provisions.

**WE RECOMMEND** the County Commission ensure tax anticipation notes are prepared, signed, sealed, bid, advertised, registered, and issued in accordance with statutory provisions.

**AUDITEE'S RESPONSE**

*Any future tax anticipation notes will be issued in accordance with the statutes. Distributions of the tax anticipation funds will also be made in accordance with the statutes and limited to no more than 10% per month.*

**3.**

**Officials' Salaries**

The Sullivan County Salary Commission has the statutory authority to set salaries of the county's elected officials. County officials' salaries are based upon the county's assessed valuation, population, training attendance, or a combination of these factors.

At both the 1995 and 1997 meetings, the Salary Commission authorized salaries of elected officeholders to be raised during the term of office for changes in the county's assessed valuation. A review of the various statutes regarding officials' salaries indicates that increases due to changes in the assessed valuation factor should be based upon the assessed valuation in the year next preceding the computation. Instead, the Salary Commission used the current year's assessed valuation rather than the preceding year's assessed valuation to determine the maximum allowable

salaries. In addition, salary changes due to increases in the assessed valuation appear to be effective on the official's year of incumbency (the beginning of the next term).

The Salary Commission had no documentation to show why it used the current assessed valuation factors or the basis it used to make the increases at a time other than the year of incumbency. No written legal opinion was obtained to support the appropriateness of the timing or the amount of the increases.

To provide written documentation of the amounts approved to be paid to the various officials and the legal basis of the decisions made, records of each meeting should include the basis upon which any decisions were made and a copy of each legal opinion. Such documentation would help to ensure that any questions which may arise later concerning the approved salaries can be readily resolved.

**WE RECOMMEND** the County Commission consult with the Prosecuting Attorney regarding correcting the erroneous salary payments. In addition, the Salary Commission minutes should include the basis upon which any decisions are made and meeting records should always document the calculations and legal opinions for actions taken.

#### **AUDITEE'S RESPONSE**

*We will consult with the Prosecuting Attorney and in the future request him to issue a written opinion on the decisions of the salary commission.*

<b>4. Computer Controls</b>
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Access to the computer programs such as the property tax, payroll, and disbursement system are not adequately restricted. Personnel in the County Ex Officio Collector's, the County Clerk's, and County Assessor's offices use their office ID codes and passwords to access the systems. However the IDs and passwords are not changed periodically to ensure that they remain confidential. Thus the IDs and passwords do not effectively limit access to the various programs and data files to only those individuals who need access to perform job responsibilities. The lack of an effective system of user passwords and IDs may allow unauthorized changes to be made to tax books, payroll records, or disbursement systems. For example, changes could be made to assessed valuation amounts, employee pay rates, or payable amounts.

While these county systems provide listings of record changes and transactions to allow monitoring of changes made, an effective access control system using both user IDs and confidential passwords would provide increased accountability and improved access control.

To establish individual responsibility as well as help preserve the integrity of computer programs and data files, access to computerized records should be limited to those persons who need to use

the information. A system of unique IDs and passwords should be used to properly restrict access. These IDs and passwords should be known only to the employee to which it is assigned and should be changed periodically.

This condition was noted in the prior audit report.

**WE RECOMMEND** the County Commission consider establishing improved procedures to restrict access to computer files, through the use of unique IDs and passwords, to only those individuals who need to use the information.

### **AUDITEE'S RESPONSE**

*We will require the system users to change passwords regularly. In addition, we are in the process of acquiring a new financial software system that will require the system users to change passwords regularly.*

<b>5. Consolidated Circuit Court Accounting Controls and Procedures</b>
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In April 1997, the offices of the Sullivan County Circuit Clerk and Ex-Officio Recorder of Deeds, the Associate Division, the Probate Division, and the Municipal Division were combined to form the Consolidated Circuit Court of Sullivan County (CCCSC). The court is now composed of the following segments: Circuit Civil, Circuit Criminal, Circuit Child Support, Traffic and Municipal, Probate, and Ex-Officio Recorder. Under the written consolidation agreement, the Circuit Clerk agreed to accept responsibility over all cases, case records, monies, accounting records, papers, and property of the CCCSC and was granted authority over all administrative functions. Starting in May 1998, the Circuit Clerk personally assumed primary responsibility for the handling of child support receipts and payments.

The Circuit Clerk does not appear to have fully complied with his responsibilities under the consolidation agreement and stated that he was not aware that he had any responsibility over the Traffic and Municipal or Probate segments. We noted many significant weaknesses in the internal controls within the various court segments and significant delays in the preparation of deposits, monthly reports, and month end disbursements in several court areas. Some of these problems appeared to be caused at least in part by an uneven allocation of the office workload.

- A. A lack of adequate segregation of duties existed in the various individual segments of the consolidated court and resulted in a need for increased supervisory review of the work of each separate deputy clerk. Within each segment, a single deputy clerk was generally responsible for all receipting, deposit preparation, recording all financial transactions, preparation of disbursements checks, monthly reports, and bank reconciliations. The Circuit Clerk did not review work performed in the Traffic, Municipal, or Probate segments and while he indicated some review of the records for the Circuit Civil and

Criminal, and Ex-Officio Recorder segments was performed, he did not document any of those reviews.

Because of the significant volume of transactions and monies handled and the lack of segregation of duties of the various deputy clerks, it is important that the Circuit Clerk perform and document periodic reviews of the accounting records, monthly reports, and bank reconciliations for all segments of the consolidated court.

- B. The Circuit Clerk failed to make monthly distributions of interest earned on the child support bank account from May 1998 through December 1998. Section 13 CSR 30-3.010 (5) (f) of the Code of State Regulations requires that when a child support account earns interest, the portion attributable to the state IV-D child support monies is to be remitted monthly to the state. The Circuit Clerk stated that he had not been trained how to allocate and record the interest disbursements on the new MACCS child support automated system. The accumulated interest was distributed in January 1999 after the Circuit Clerk contacted the MACCS help line. The Circuit Clerk should ensure interest is distributed as required.

A similar condition was noted in the prior audit report.

- C. Within the Circuit Civil segment, monies were not deposited timely, open item listings were not prepared during the audit period, an old bank account was not closed, long term outstanding checks were not resolved timely, ledgers or other records of accumulated interest were not maintained, accrued case costs were not monitored, and old cases were not followed up on a timely basis. The deputy circuit civil clerk resigned her job in November 1998. Similar problems had been noted in our last two audit reports.

A new deputy clerk was appointed in November 1998 and with the assistance of a part time clerk began a review of the case and accounting records. During that process, \$1,268 in the bank account was identified as interest, balances totaling \$5,031 related to various cases with no activity were identified and were to be returned to appropriate parties. In addition, accrued case costs totaling over \$8,000 were determined to be uncollectible and were waived by order of the Judge and various improvements were being developed.

The Circuit Clerk should continue to ensure the case records, accounting records, and monthly reports including open items listings and receivables listings are prepared and maintained on a timely basis.

- D. Within the Circuit Criminal segment, we noted on February 4, 1999, the deputy clerk was holding five checks, totaling over \$17,000. These checks had not been receipted nor deposited. Two of the checks had been held for nearly two months and the other three had been held at least two weeks.

The Circuit Clerk should ensure all monies received are immediately recorded on the one-write receipting system and deposited timely and intact.

E. Within the Traffic and Municipal segments, we noted the following concerns:

- 1) The Circuit Clerk had not closed an old bank account, did not require a summary open items (liability) listing to be prepared and fully reconciled to the accounting records, and did not timely resolve unidentified monies.

Even after a replacement bank account had been opened, the old account continued to remain open over three years later and contained over \$1,800 in unidentified monies and monies related to long term outstanding checks that should have been identified and properly paid out. In addition, the newer account contains \$1,690 in unidentified monies.

The deputy clerk did not prepare a summary open items listing and did not include interest or the balance of the old bank account discussed above as reconciling items. The deputy clerk stated a significant portion of the unidentified monies relate to activity before the current computer system was activated in 1993, nearly five years ago.

As of March 1999, the Judge prepared orders to distribute the unidentified monies. A complete open items listing should be prepared and fully reconciled to the book and bank balances each month to promptly identify any errors in receipting, disbursing, or recording that require investigation and correction.

The Circuit Clerk should ensure old bank accounts are closed timely, open items listings are properly prepared and reconciled, and any monies remaining unidentified be investigated and distributed timely.

- 2) The November and December 1997 disbursements to the Department of Revenue (DOR) were not submitted in three separate checks as required and it took the deputy clerk three months to reissue the payments correctly and eight months to fully correct the accounting records. During those eight months, the checks were inappropriately carried on the bank reconciliation as outstanding checks. The Circuit Clerk should ensure disbursements are made as required, bank reconciliations are properly prepared, and errors in the accounting records are corrected promptly.
- 3) In December 1998, the part time clerk incorrectly disbursed \$500 to the Prosecuting Attorney. The error was identified by the Prosecuting Attorney who returned the check to the court for correction. As of March 1, 1999, the deputy clerk had not corrected the accounting records of the court nor had she paid a

corrected amount to the prosecutor. In addition, the clerk was unable to locate the check returned by the prosecutor. As is evidenced by the lost check, delays cause costly additional errors. The Circuit Clerk should ensure errors in disbursements are corrected promptly.

**WE RECOMMEND** the Circuit Clerk take a much more proactive approach in looking for and resolving problems as they occur since delays in addressing and correcting problems often create additional and costly problems and increase the difficulty with which problems are resolved. In addition, we recommend the Circuit Clerk:

- A. Perform periodic documented reviews, and ensure timely and accurate preparation of the case and accounting records, monthly reports of distributions, open items listings, and bank reconciliations for all areas of the court.
- B. Disburse the child support, IV-D interest to the state on a timely basis.
- C. Ensure the Circuit Civil court case records, accounting records, and monthly reports including open items listings and receivables listings are prepared and maintained on a timely basis.
- D. Ensure all Circuit Civil court monies received are immediately recorded and deposited timely and intact.
- E.1. Ensure, within the Traffic and Municipal area of the court, old bank accounts are closed timely, open items listings are prepared and fully reconciled, and any unidentified monies are investigated and distributed timely.
  - 2. Ensure distributions paid to the DOR are made as required, bank reconciliations are properly prepared, and errors in the accounting records are corrected promptly.
  - 3. Ensure errors in disbursements are corrected promptly.

### **AUDITEE'S RESPONSE**

A,C,  
D&E. *These recommendations have been implemented.*

B. *This recommendation will be implemented.*

*The Associate Circuit Judge provided the following comments: Although no written response is required from me regarding your audit report on the Circuit Clerk's Consolidated Court for the 1997 and 1998 years, I wanted to take the opportunity to provide my thoughts. First of all, just starting my office on January 1, 1999, I was pleased to have the services of your staff available to*

*me during my first two months to assist in the transition. Their advice was especially useful considering the fact that the two civil clerks had just recently started in their positions and the criminal clerk handling the circuit level cases only had a few months experience handling those cases.*

*Due to your auditors' efforts combined with countless hours by the civil clerks, over \$8,000 in uncollectible court costs dating back to the mid 1970's was identified and waived. We have now implemented a better system of checks and balances to keep tabs on court costs after the case has been disposed of and are issuing contempt citations and warrants for those willfully refusing to pay costs.*

*The five checks totaling over \$17,000 were reimbursements to the county from the state for costs of housing prisoners. As mentioned earlier, the clerk now handling this task is new to the task and was simply awaiting instructions on how to deposit and disburse the monies. Thanks to the help of your field auditors she now is aware of the proper procedures and has obtained many more thousands of dollars in reimbursements which had not been applied for previously.*

*I am sure that many of the other problems noted in your audit are simply growing pains being experienced as a result of the consolidation of the associate and circuit clerks offices and the Circuit Clerk is continuing to make improvements in this transition.*

<b>6. Sheriff's Accounting Controls and Procedures</b>
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During our review of the Sheriff's accounting records and procedures, we noted the following concerns:

- A. The duties of receipting, recording, depositing, disbursing, and preparation of monthly reports and bank reconciliations are performed primarily by one deputy. The Sheriff does not perform supervisory reviews of the deputy's work. Given the lack of segregation of duties, the Sheriff should perform and document periodic review of the deputy's work including the accounting records, monthly reports, and bank reconciliations.
- B. Deposits are not always made daily or when amounts on hand exceed \$100 and receipts are not always deposited intact. For instance, we noted \$20 for gun permits had been received on November 4, 1998 but not deposited until November 17, 1998 while a deposit had been made on November 9, 1998. Deposits should be made daily or when receipts on hand exceed \$100 to ensure assets are adequately safeguarded and to reduce the potential for loss, theft, or misuse of funds.
- C. We noted the entries of unpaid fees in the receivables records do not indicate which agency is to collect the fee for the Sheriff. Most of the fees are due from the Sullivan County Consolidated Circuit Court. However, some fees are also due from other courts

and Sheriffs in the region and from out of state. Without a listing of sources and amounts due from the various parties, the Sheriff has less assurance that all fees will be collected. The Sheriff should maintain a complete receivables listing, periodically review the list, and follow up on past due amounts.

**WE RECOMMEND** the Sheriff:

- A. Perform and document periodic reviews of the deputy's work including the accounting records, monthly reports, and bank reconciliations.
- B. Ensure deposits are made daily or when receipts on hand exceed \$100. In addition, the Sheriff should ensure receipts are deposited intact.
- C. The Sheriff should maintain a complete fees receivables listing, periodically review the list and follow up on past due amounts.

**AUDITEE'S RESPONSE**

- A. *I will periodically review accounting records, monthly reports and bank reconciliations.*
- B. *I will ensure deposits are made daily or when receipts exceed \$100 and will ensure receipts are deposited intact.*
- C. *I will maintain records of fees receivable, periodically review the list, and follow up on past due amounts.*

<b>7. Sullivan County 911 Board</b>
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In August 1996 under Section 190.335, RSMo 1994, the voters of Sullivan County passed a one-half cent local sales tax for the purpose of providing central dispatching of fire protection, emergency ambulance service, including emergency telephone services, and other emergency services. The Sullivan County Commission appointed members to the Sullivan County 911 Board, and the county acted as fiscal agent for the 911 Board from January 1997 until December 1998. Total expenditures by the county from the 911 Board Fund during the audit period exceeded \$150,000. During our review of the 911 Board, we noted the following concerns:

- A. Section 190.335, requires the appointed board to serve only until the successor board is elected at the next general election. However, the 911 Board failed to call for the election of the successor board at the general election in November 1998. The 911 Board stated they were not made aware of the election requirement. Because the election was not held, all significant planning and operational decisions have been made by an appointed rather

than an elected board. The 911 Board should call for the election of the successor board at the next general election.

- B. The 911 Board has not entered into written contracts with the county or the fire and ambulance districts and cities which will receive 911 services. In January 1999, the 911 Board and county entered into an oral agreement under which the county would provide employees and administrative services to operate the 911 Dispatch Center. A written agreement is being negotiated. The estimated average annual cost over the next nine years to the 911 Board exceeds \$225,000.

Section 432.070, RSMo 1994 requires all contracts shall be in writing and shall be signed by each of the parties or their agents. Written contracts are necessary to define responsibilities and the duties of the contracting parties. Written agreements should clearly specify the services to be rendered and the manner and amount of compensation. Such written agreements lessen the opportunity for misunderstanding between the parties involved.

- C. Under Section 190.335 (7), RSMo Cum. Supp. 1998, the 911 Board is to determine each year no later than September 1, the tax rate for the subsequent year and publish the rate in the minutes. The 911 Board failed to formally establish the tax rate or publish the rate in the minutes as required. The 911 Board should comply with the statutory requirements.

**WE RECOMMEND** the Sullivan County 911 board and Sullivan County Commission:

- A. Call for the election of 911 board officials at the next general election.
- B. Enter into written contracts with the county, ambulance and fire districts and cities which will receive 911 services.
- C. Establish and publish the tax rate in the minutes as required.

**AUDITEE'S RESPONSE**

*The County Commission responded that they will call for the election of the 911 board officials.*

*The Chairman of the 911 Board responded:*

- A. *We plan to call for the election of the 911 Board at the next general election.*
- B. *We plan to enter into a written contract with all parties including the fire and police departments.*
- C. *We will comply with this recommendation.*

**8.****Hospital Financial Condition and Procedures**

The Sullivan County Memorial Hospital is audited annually by an independent certified public accounting (CPA) firm. In its report for the two years ended June 30, 1997, the CPA firm indicated, "factors raise substantial doubt about Sullivan County Memorial Hospital's ability to continue as a going concern." Over recent years the hospital has defaulted on two bond issues and continues to experience significant problems generating revenues adequate to maintain current operations. Because the CPA firm had not yet issued its final report covering the most recent fiscal year ended June 30, 1998, we performed some limited work in review of hospital finances. Our limited review of hospital records and procedures revealed the following significant concerns:

- A. The audited deficit fund balance at June 30, 1997 was (\$226,000) and the annual net loss was \$111,893. A draft audit report prepared by the independent CPA firm and provided to the hospital indicated the preliminary deficit fund balance at June 30, 1998 was (\$522,000) and the annual net loss was \$296,383. The unaudited and unadjusted financial records indicate an estimated deficit fund balance at December 31, 1998 of (\$648,000) and an estimated year to date net loss of \$125,000.

According to a hospital official, as of June 30, 1999, the independent auditor has not released the hospital's audit report. With the hospital's financial condition and significant accounts payable it is important to have audited financial statements.

Based upon the preceding information, it is evident the hospital's financial condition is continuing to experience significant decline. The hospital should continue to seek additional revenue sources and continue efforts to significantly reduce operating costs.

- B. We noted that hospital management had failed for several months in 1997 and 1998 to submit to the Internal Revenue Service (IRS) the monies withheld from employee paychecks for income tax and Social Security or to make the required employer matching contribution for Social Security. As of December 31, 1998, the unpaid liability was approximately \$250,000 excluding any interest or penalties. The hospital has been attempting to negotiate a settlement of this debt with the IRS. It was noted that a payment of \$185,000 was made to the IRS in February of 1999. The Board of Trustees should continue efforts to fully resolve this matter, closely monitor monthly financial reports, and ensure such problems do not occur in the future.

**WE RECOMMEND** the Sullivan County Memorial Hospital Board of Trustees:

- A. Continue to seek additional revenue sources and continue to reduce operating costs.

- B. Continue efforts to fully resolve the liability to the IRS, closely monitor monthly financial reports, and ensure such problems do not occur in the future.

**AUDITEE'S RESPONSE**

*The Chairman of the Board of Trustees and the hospital Administrator responded:*

- A. *We are working in several ways to enhance our revenue flows, including the following:*

*During June 1999 we started a fund raising project with a goal of collecting a total of \$400,000. This project is seeking donations from local businesses and individuals, and pledges totaling \$105,000 have been received as of August 1, 1999.*

*We will be seeking passage of a 1/2 cent county sales tax for the benefit of the hospital in the November 1999 election.*

*We are in preliminary discussions with larger area hospitals to determine their interest regarding possible affiliation.*

*We have added a pediatric clinic to our operation and are seeking additional physicians and clinics to affiliate with our hospital which would increase revenues from our diagnostic services.*

*We are developing preliminary plans for leasing space within our facility for a federally qualified health care clinic which would potentially lower the number of uninsured patients seen in our emergency department.*

*To further reduce operating costs for drugs and medical supplies, we have joined a larger buying group.*

- B. *The board is reviewing financial reports monthly and is specifically reviewing the balances in the payroll withholding accounts.*

This report is intended for the information of the management of Sullivan 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

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

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Sullivan County, Missouri, on findings in the Management Advisory Report (MAR) of our report issued for the two years ended December 31, 1996. Finding number 4 is omitted since the related follow-up appears in an earlier section of this report. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Questionable Payments to an Employee

- A. A county employee was paid \$600 per month for rental of equipment owned by the employee, held in the employee's personal possession, and not directly available to the county. The rental arrangement did not appear to serve any legitimate county purpose or provide anything of value to the county. The rental payments were reported on an IRS 1099-MISC form instead of being included on the employee's W-2 as part of his earnings. In addition, the county did not solicit bids for the equipment rental and had no written contract with the employee. In January 1997, the county discontinued the rental payments and increased the employee's salary an equivalent amount.
- B. The employee submitted an inappropriate claim for mileage reimbursement. The county did not review the claim for reasonableness.
- C. The employee received additional compensation for performing additional duties but the rate of pay was not established prior to the work being performed.

This employee was paid approximately \$23,600 and \$21,078 from the county during 1996 and 1995, respectively. However, time records showed this employee worked only approximately 86 hours per month.

Recommendation:

The County Commission:

- A. Review this situation with the Prosecuting Attorney to see if any restitution should be received from the employee. If no restitution is considered necessary, the county should issue corrected W-2 earnings forms, complying with all related FICA withholding and employer matching requirements. In the future, contracts should be entered only if they are within the scope of authority of the county and provide reasonable value to the county. Every contract should be made in writing and should be signed or executed by the authorized parties. In addition, the county should comply with all bid requirements, particularly in situations that present a conflict of interest. A written job description should be provided for such position and specific work responsibilities should be determined. The compensation established for this position should be reviewed and set at an appropriate amount that reflects the actual value to the county for services actually provided.

- B. Ensure that all mileage claims are adequately documented and proper and reasonable prior to approving payment. In addition, the commission should implement additional controls to prevent employee abuse of mileage reimbursements.
- C. Review and determine a proper basis for granting additional compensation to the employee, and if necessary, recover any overpayment.

Status:

- A, B,  
& C. Partially implemented. The employee resigned December 30, 1997, shortly after the release of our audit report. No further action was taken by the county. Although not repeated in the current report, our recommendations remain as stated above.

2. Open Meetings Compliance and County Bridge Program Priorities

The minutes of the County Commission meetings did not always provide sufficient details of the reasons for action taken and adequate advance notice of meetings and pending issues was not made to the public.

Recommendation:

The County Commission ensure that all significant discussion and actions taken, such as prioritizing county bridge replacement, are discussed and adequately documented in compliance with statutory open meetings requirements. The commission should also ensure agendas of the commission are published or posted in accordance with state law.

Status:

Implemented.

3. County Expenditures and Budgets

- A. Bids were not always solicited or advertised by the county nor was bid documentation always retained for various purchases and services.
- B. The county did not always issue Forms 1099-MISC as required.
- C. Formal budgets were not prepared for various county funds for the years ended December 31, 1996 and 1995.
- D. Contributions were made to various public service organizations without written contracts specifying the services to be provided or documenting the benefits to the county.

Recommendation:

The County Commission:

- A. Solicit bids for all items in accordance with Section 50.660, RSMo Cum. Supp. 1996. Documentation of bids solicited and justification for bid awards should be retained by the

County Clerk. If it is not practical to obtain bids in a specific instance, or if sole source procurement is necessary, the circumstances should be thoroughly documented.

- B. Issue IRS Forms 1099-MISC as required by the Internal Revenue Code.
- C. Ensure that budgets are prepared or obtained for all county funds in accordance with state law.
- D. Refrain from making contributions of public funds unless it is done pursuant to a written contract which specifically states what services are to be provided to the county.

Status:

- A. Implemented.
- B. Partially implemented. One instance was noted when the county failed to issue a 1099-MISC. Although not repeated in the current report, our recommendation remains as stated above.
- C. Partially implemented. Budgets were prepared for all funds directly controlled by the County Commission. Although not repeated in the current report, our recommendation remains as stated above.
- D. Partially implemented. The county has set up contracts covering most organizations but continued to provide funding to the local rural fire department without a written contract. Although not repeated in the current report, our recommendation remains as stated above.

5. Personnel Policies and Procedures

- A. The County Clerk did not maintain detailed records of vacation or sick leave earned, taken, or accumulated. In addition, the salaried employees in the Sheriff's Department were not required to submit time sheets.
- B. The county's overtime policy lacked adequate detail. Payments of overtime and granting of compensatory time were not consistent to all employees. The county's leave policy did not address compensation for accumulated leave upon termination. The county's personnel policy did not address additional compensation for employees declining county paid health insurance.
- C. The county did not require documentation of the hours worked by the Deputy County Clerk during her preparation of the county's published financial statements.

Recommendation:

The County Commission:

- A. Require all county employees to complete time sheets which reflect actual time worked and leave taken. The records should be prepared by employees, approved by the applicable supervisor, and filed in a central location with the county's payroll records. In addition, a running balance of leave accumulated and taken for each employee should be maintained by the County Clerk.
- B. Revise and expand the county's written personnel policies regarding overtime, leave, and insurance policies to address all relevant issues and ensure that all policies and procedures are applied equitably and in compliance with the FLSA.
- C. Require the Deputy County Clerk to include hours worked on the financial statements on her monthly time sheet and compute any overtime compensation based on the total hours worked, in compliance with the FLSA.

Status:

A&B. Not implemented. See MAR No. 1.

C. Implemented.

6. Associate Court Accounting Controls and Procedures

- A.1. For the Associate Division, receipts were not deposited on a timely basis and checks were not always restrictively endorsed immediately upon receipt. For the Probate Division, deposits were typically made once or twice per month.
  - 2. For the Associate Division, there were instances noted in which fine monies were not recorded immediately upon receipt.
- B. Open items listings (liabilities) were not prepared during the audit period.
- C. Accounting duties were not adequately segregated for the Associate or Probate Divisions.

Recommendation:

The Associate Circuit Judge:

- A.1. Require receipts be deposited daily or when accumulated receipts exceed \$100. In addition, all checks should be restrictively endorsed immediately upon receipt.
  - 2. Ensure that all monies are promptly receipted and recorded.
- B. Require the preparation of a periodic listing of total liabilities and ensure that it is reconciled to the cash balance. In addition, the Associate Circuit Judge should investigate the unidentified monies. Any monies remaining unidentified should be handled in accordance with statutory provisions.

- C. Ensure duties are adequately segregated or perform and document periodic reviews of the accounting records maintained and reconciliations prepared.

Status:

- A, B,  
& C. Not implemented. See MAR No. 5.

7. Circuit Clerk's Accounting Controls and Procedures

- A. Accounting duties were not adequately segregated.
- B. The Circuit Clerk had not prepared bank reconciliations for various accounts.
- C. An open items (liabilities) listing had not been prepared for the General and Interest account since December 1995. At our request, the Circuit Clerk had prepared an open items list that included approximately fifty cases over five years old for which the full balance due had not been collected. The Circuit Clerk had not reviewed or determined the proper disposition of the older inactive cases. In addition, the reconciled bank balance for the Child Support account differed with the related open items balance throughout the audit period.
- D. The Circuit Clerk had discontinued use of but did not properly close out an old checking account.
- E. The Circuit Clerk had not disbursed interest earned on the portion attributable to state IV-D child support monies since May 1993.
- F. Procedures for collecting amounts due on criminal cases were not adequate.

Recommendation:

The Circuit Clerk:

- A. Ensure duties are adequately segregated or perform and document periodic reviews of the accounting records maintained and reconciliations prepared.
- B. Ensure complete and accurate bank reconciliations are prepared monthly and reconciled to accounting records for all bank accounts.
- C. 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 inactive cases.
- D. Identify the monies in the old checking account and disburse them accordingly so the account may be closed. In addition, old outstanding checks should be reissued for payees who can easily be located. If the payees cannot be located or ownership cannot be determined, amounts should be paid out in accordance with applicable state laws governing unclaimed fees and unclaimed property.

- E. Disburse the IV-D interest to the state on a timely basis.
- F. Establish procedures for the collection of court costs from defendants on probation. Procedures should include generating periodic reports of cases with balances due and sending billing statements as necessary. A report of cases with delinquent payments and/or significant balances due should be submitted to the Circuit Judge for his review.

Status:

A, B,  
C&D. Not implemented. See MAR No. 5.

E. Partially implemented. The Circuit Clerk distributed the IV-D interest balance to the state and made regular interest distributions from December 1997 through May 1998. See MAR No. 5.

F. Partially implemented. The Circuit Clerk has started maintaining a listing of cases with amounts due when the defendant has been placed on probation. Although not repeated in the current report, our recommendation remains as stated above.

8. Ex Officio County Collector's and Township Collector's Commissions

A. Distributions of the Ex Officio County Collector's commissions and the 1% withholdings for the Assessment Fund were not correct.

B. Commissions for one township collector were incorrectly computed causing distributions to be incorrect.

Recommendation:

A. The EOC review commissions and distributions to ensure the proper amounts were retained and distributed. In addition, current distributions should be reduced to correct for the amounts owed to the General Revenue and Assessment Funds.

B. The County Clerk ensure township collector's commissions are calculated properly. In addition, the county should obtain reimbursement of the \$4,305 commission overpayment from the township collector and distribute this amount to the appropriate county funds and political subdivisions.

Status:

A&B. Implemented.

9. Sheriff's Accounting Controls and Procedures

A. A complete cash control was not maintained. The Sheriff's cash receipts journal accounting record used was not adequate to properly account for all monies handled.

B. Not all monies received were deposited intact or on a timely basis.

- C. Prenumbered bond forms were not used.
- D.1. Seized property records were not maintained, physical inventories were not conducted, and some seized property items were not tagged.
  - 2. The seized property room contained several old guns that had been held for up to fifteen years. The Sheriff had not taken steps to dispose of the older seized property.
- E. The prisoner log records did not identify if the prisoner was held in the Sullivan County jail or some other location, did not indicate the time of the day the prisoner was released, and did not include the number of meals provided daily. Invoices received for providing the meals to the prisoners were not compared to daily prisoner population records for reasonableness. Bids for the provision of prisoner meals were not solicited for 1995 or 1996.

Recommendation:

The Sheriff:

- A. Maintain a complete cash control showing all monies received, disbursements, and cash balances. In addition, ensure that receipts are entered in the cash control in the order they are received.
- B. Deposit monies received intact daily or upon the accumulation of \$100.
- C. Issue prenumbered bond forms and account for the numerical sequence.
- D.1. Maintain an inventory record of all seized property received including information such as a description, persons involved, current location, case number, and disposition of such property. Additionally, all items should be tagged with a description, case name, and an inventory control number.
  - 2. Make timely and appropriate dispositions of seized property.
- E. Ensure the prisoner log records are accurate and consistently maintained by all personnel and compare prisoner meal records with the vendor's invoice and investigate and reconcile any differences. In addition, the Sheriff and County Commission may want to consider whether the county might have other, less costly alternatives for providing prisoner meals.

Status:

- A&B. Not implemented. See MAR No. 6.
- C. Implemented.
- D.1. Implemented. The Sheriff completed updating the seized property records based upon a physical inventory in March 1999.
- D.2. Not implemented. The Sheriff stated he had consulted with the Prosecuting Attorney to determine how to dispose of the seized property but no decision was reached. He stated

he would again consult with the Prosecuting Attorney. Although not repeated in the current report, our recommendation remains as stated above.

- E. Implemented. There was a noted improvement in the prisoner log records and prisoner meals are closely monitored by the person assigned. The Sheriff has been unable to locate a more economical means of providing meals at this time but has continued to seek bids for the service.

10. Prosecuting Attorney's Accounting Controls and Procedures

A system to account for all bad checks received by the Prosecuting Attorney's office as well as the subsequent disposition of these bad checks had not been established.

Recommendation:

The Prosecuting Attorney implement procedures to adequately account for all bad check complaints received, as well as the ultimate disposition of each complaint through the use of sequential numbers assigned to each complaint form and a log to account for the numerical sequence and disposition of each complaint.

Status:

Implemented. The Prosecuting Attorney purchased and implemented the use of a computerized software tracking system for all bad check complaints received after July 1998.

11. Public Administrator's Salary

The County paid the Public Administrator's 1997 salary of \$7,000, of which \$2,000 was contingent on completion of training, at a rate of \$1,000 per month for the first seven months of the year.

Recommendation:

The County Commission and the County Clerk make the salary payments to the Public Administrator only after the compensation has actually been earned.

Status:

Implemented.

12. Health Center

- A. The Health Center's cash balance was approximately \$368,000 and \$306,000 at December 31, 1996, and 1995, respectively. The Health Center did not have any specific short term plan that required the maintenance of such large cash balances.
- B. The Health Center contributed monies to public service agencies without written contracts specifying services to be provided or documenting the benefits to the Health Center.
- C. Bid documentation was not always retained and reflected in the board meeting minutes. Reasons for cost differences between the original bid amount and the final cost were not

always documented. No reasons were documented for having selected the high bidders for some projects.

- D. Monies received were not always deposited on a timely basis. Receipts and disbursements were not posted to the accounting records in a timely manner.
- E. The Health Center did not require adequate collateral securities to be pledged by the depository banks.
- F. General Fixed asset records had not been updated for purchases or dispositions of property items since March 1995. Not all general fixed asset items had been properly tagged, assigned an inventory control number, or otherwise identified as health center property. Annual physical inventories of all personal property owned by the health center had not been performed.
- G. The health center's compensatory time policy required compensatory time to be awarded to covered employees at one and one-half times the normal pay rate for any time worked before 8:30 A.M. or after 4:30 P.M. regardless of the number of hours worked during that week.

Recommendation:

The Health Center board:

- A. Review the Health Center's cash balance and consider reducing the tax levy accordingly, or document the intended use of the funds in the annual budget documents.
- B. Refrain from making contributions of public funds unless it is done pursuant to written contracts which specifically state what services are to be provided to the health center.
- C. Ensure documentation of bids solicited and a justification for bid awards are retained, including changes in the award amounts.
- D.1. Deposit all monies daily or when accumulated receipts exceed \$100.
  - 2. Post all receipts and disbursements to the accounting records on a timely basis.
- E. Ensure the Health Center's depository institutions pledge collateral securities for all amounts which exceed FDIC coverage.
- F.1. Update fixed asset records, and record subsequent fixed asset additions or deletions in a timely manner.
  - 2. All items should be tagged as Health Center property and issued an inventory control number.
  - 3. Perform annual physical inventories of Health Center property in accordance with Section 51.155, RSMo Cum. Supp. 1996. Records should be maintained to document this review.

- G. Review the current compensatory time policy and consider whether it should be revised to help control payroll costs.

Status:

- A. Implemented. The Health Center board discussed this matter, but did not reduce the tax levy. The 1998 and 1999 budget documents indicated the board expected substantial reductions in the available cash balance at each year end.

B, C,  
D, E,  
F.1, &

- F.2. Implemented.

- F.3. Partially implemented. Employees indicated an annual physical inventory was performed however documentation was not retained. Although not repeated in the current report, our recommendation remains as stated above.

- G. Partially implemented. The board minutes indicated this issue was discussed but the policy was not changed. The administrator stated in March 1999 that this policy was again under review. Although not repeated in the current report, our recommendation remains as stated above.

13 General Fixed Asset Records and Procedures

- A. An annual inventory of all general fixed assets and quarterly inspections of all lands and buildings had not been conducted as required by Section 51.155, RSMo Cum. Supp. 1996.

- B. The County Clerk did not maintain property records in a manner that balances could be reconciled from period to period. That is, records were not such that the beginning balance, plus additions, less dispositions, equals the ending balance.

- C.1. Procedures had not been established to ensure that IRS regulations regarding the use of county vehicles by county employees to commute to and from work were followed.

- 2. Adequate fuel usage records for county owned vehicles were not maintained by the Road and Bridge department.

Recommendation:

- A. The County Clerk perform and document inventories and inspections of county-owned property as required by state law.

- B. The County Clerk ensure reconciliations are performed between prior year general fixed asset records and current year general fixed asset records which document total additions, deletions, and balances.

- C.1. The County Commission require detail logs of vehicle usage and comply with IRS guidelines for reporting fringe benefits related to county-owned vehicles.

2. The County Commission ensure fuel usage logs are maintained for all county vehicles and equipment and ensure fuel used is reconciled to fuel purchases and fuel efficiency. In addition, the county should maintain vehicle and equipment maintenance logs and review these records periodically for reasonableness.

Status:

- A. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.
- B. Partially implemented. The general fixed asset records, based upon inventories performed by other county officials and the Road and Bridge supervisor, were updated in March 1999. The County Clerk stated the recommended reconciliation is now possible and will be performed in the future. Although not repeated in the current report, our recommendation remains as stated above.
- C. Partially implemented. Vehicle usage, fuel, and maintenance logs are maintained for county vehicles. Road and bridge employees are no longer allowed to use vehicles for personal commuting. Although not repeated in the current report, our recommendation remains as stated above.

14. Computer Controls

- A. Access to the computer programs such as the property tax, payroll, and disbursement systems was not adequately restricted. User ID's and passwords were not changed periodically to ensure that they remained confidential.
- B. Backup disks of information for the county's computer systems, which were kept to provide a means of recreating destroyed master disks, were not stored at an off-site location.

Recommendation:

The County Commission:

- A. Consider establishing improved procedures to restrict access to computer files, through the use of unique ID's and passwords, to only those individuals who need to use the information.
- B. Ensure that backup disks from the county's computer systems are prepared and stored in a secure, off-site location.

Status:

- A. Not implemented. See MAR No. 4.
- B. Implemented.

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 county roads and bridges, and performing miscellaneous duties not handled by other county officials.

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

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Sullivan County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	1998		1997	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 182,105	10	152,742	7
Sales taxes	369,453	19	393,436	18
Federal and state aid	1,011,417	53	1,337,934	62
Fees, interest, and other	346,253	18	278,670	13
Total	\$ 1,909,228	100	2,162,782	100

The following chart shows how Sullivan County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

USE	1998		1997	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 536,404	26	373,431	19
Public safety	321,118	16	303,528	16
Highways and roads	1,173,930	58	1,247,933	65
Total	\$ 2,031,452	100	1,924,892	100

The county maintains approximately 180 county bridges and 509 miles of county roads.

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The county's population was 8,783 in 1970 and 6,326 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
	(in millions)				
Real estate	\$ 33.5	33.0	21.4	15.1	12.0
Personal property	18.2	19.0	7.6	6.8	4.8
Railroad and utilities	8.6	14.3	3.2	2.6	3.0
Total	\$ 60.3	66.3	32.2	24.5	19.8

\* 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,	
	1998	1997
General Revenue Fund	\$ .28	.28
Health Center Fund	.10	.10
Hospital Fund	.43	.42

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,	
	1999	1998
State of Missouri	\$ 18,413	20,195
General Revenue Fund	170,057	186,219
Special Road and Bridge Fund	30,243	33,155
Assessment Fund	38,598	44,903
Health Center Fund^	61,533	69,274
Special Road Districts^	44,368	43,874
School districts^	2,174,184	2,449,662
Library district^	61,533	67,274
Ambulance district^	181,063	197,248
Fire protection district^	37,161	51,912
Townships^	401,391	454,898
Hospital^	261,690	279,469
Drainage District^	43,842	41,625
Cities	20,327	18,993
County Clerk	113	127
County Employees' Retirement	13,982	13,669
Commissions and fees:		
General Revenue Fund	27,302	46,712
Township Collectors^		
Total	\$ 3,585,800	4,019,209

^ The specific distribution amounts by the township collectors were not readily available. The amounts shown are based upon township collectors' collections and include the township collectors' commissions.

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Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	95.1 %	95.3 %
Personal property	93.3	94.0
Railroad and utilities	100.0	100.0

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 Service	.0050	None	None

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

Officeholder	1999	1998	1997
<b>County-Paid Officials:</b>			
Gerald Heaton, Presiding Commissioner	\$	13,850	13,850
James Howard, Associate Commissioner		13,850	13,850
Lowell Tucker, Associate Commissioner		13,850	13,850
Mike Hepler, County Clerk		24,922	24,922
James Spencer, Prosecuting Attorney		28,603	28,603
William Hayes, Sheriff		27,125	27,125
Gary Hostetter, County Assessor *, year ended August 31,		34,900	25,050
Deborah Schnelle, Treasurer and Ex Officio County Collector, year ended March 31,	23,680	23,680	
Dale Essmeyer, County Coroner		3,490	3,490
Rhonda Frazier, Public Administrator **		11,849	16,878
James Wallick, County Surveyor ***		N/A	N/A

\* Includes \$900 annual compensation received from the state.

\*\* Includes fees received from probate cases.

\*\*\* Compensation on a fee basis.

**State-Paid Officials:**

John Moorehead , Circuit Clerk and Ex Officio Recorder of Deeds	42,183	40,176
Glen Simmons, Associate Circuit Judge	85,158	81,792

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A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Number of Employees Paid by

Office	County	State
County Commission	1	0
Circuit Clerk and Ex Officio Recorder of Deeds (1)	1	5
County Clerk	1	0
Prosecuting Attorney	1	0
Sheriff (2)	8	0
Treasurer and Ex Officio County Collector	1	0
County Assessor	2	0
Road and Bridge	4	0
Health Center (3)	11	0
Multi-County Child Support Enforcement (4)	2	0
Total	<u>32</u>	<u>5</u>

- (1) Includes 2 part-time employees.
- (2) Includes 3 part-time employees.
- (3) Includes 3 part-time employees.
- (4) The state reimburses the county for 100% of payroll costs.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Sullivan County's share of the 9th Judicial Circuit's expenses is 21.5 percent.