



SHANNON COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 1999

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

Report No. 2001-05
January 30, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

January 2001

www.auditor.state.mo.us

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Shannon, 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.

This audit of Shannon County was a financial and compliance audit of various county operating funds. The following concerns were noted as part of the audit:

The audited reconciled cash balances presented in the financial statements do not agree to the cash balances presented on the County Treasurer's semi-annual settlements or the county's budget documents, and those records do not even agree with each other. During our review of these documents, we noted the following concern:

- The County Clerk and County Treasurer do not reconcile their accounting records. As a result, errors on the semi-annual settlements prepared by the County Treasurer and errors on actual amounts reported on the budgets prepared by the County Clerk went undetected.
- The total of the ending cash balance for all funds on the semi-annual settlements is not reconciled to the county's reconciled bank balances. In addition, interest earned on Special Road and Bridge monies held in certificate of deposits is not properly recorded on the semi-annual settlement.

As of December 31, 1999, the Special Road and Bridge Fund is owed \$105,166 and \$20,866 by the General Revenue and Assessment Funds, respectively. As noted in our prior report, during 1997 the county began remitting employee payroll tax withholdings through an automatic withdrawal at the bank. The payroll taxes for all county employees were deducted from the Special Road and Bridge Fund's bank account. This process, which continued until early 1999 when a separate payroll account was opened, resulted in the General Revenue and Assessment Fund liability to the Special Road and Bridge Fund.

(over)

YELLOW SHEET

Special Road and Bridge Fund receipts are restricted revenues that are to be used only for expenses directly related to building and maintaining county roads and should not be used to pay payroll taxes of employees who are paid out of other county funds. This situation appears to have gone uncorrected due to the county's poor financial condition.

The county did not publish a financial statement for the year ended December 31, 1999. This is a significant violation of state law which is intended to inform the public of the county's financial activity on an annual basis.

Under state law, 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, disbursements, and beginning and ending balances for each fund.

The audit also includes some other matters upon which the county should consider and take appropriate corrective action.

Copies of the audit are available upon request.

SHANNON 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

To the County Commission

and

Officeholders of Shannon County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Shannon County, Missouri, as of and for the years ended December 31, 1999 and 1998, 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.

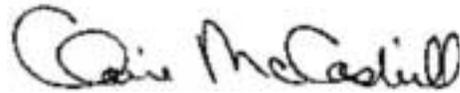
We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable 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 Shannon 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 Shannon 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 Shannon 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, 1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 31, 2000, 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.



Claire McCaskill
State Auditor

August 31, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Darrick A. Fulton
Audit Staff:	Michael J. Monia Carl E. Zilch, Jr. Steven Re'



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 Shannon County, Missouri

We have audited the special-purpose financial statements of various funds of Shannon County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 31, 2000. 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 Shannon County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as finding number 99-3. We also noted certain immaterial instances of non compliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

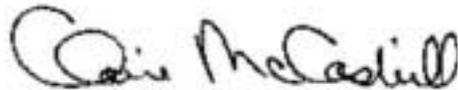
Internal Control Over Financial Reporting

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

financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. Reportable conditions are described in the accompanying Schedule of Findings as finding numbers 99-1 and 99-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider finding number 99-1 to be a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

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



Claire McCaskill
State Auditor

August 31, 2000 (fieldwork completion date)

Financial Statements

Exhibit A-1

SHANNON COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 45,188	754,291	782,057	17,422
Special Road and Bridge	890,524	786,556	739,763	937,317
Assessment	(1,047)	77,075	76,697	(669)
Law Enforcement Training	468	6,600	2,117	4,951
Prosecuting Attorney Training	5	887	0	892
Health Center	455,081	752,283	780,482	426,882
Senate Bill 40 Board	27,125	41,146	36,636	31,635
Recorder's User Fees	1,671	3,546	1,433	3,784
Special Law Enforcement	6,630	0	4,174	2,456
Shelter for Abused Victims	780	660	800	640
Prosecuting Attorney Sales Tax Collections	626	2,054	1,200	1,480
Sheriff Civil Fee	1,678	13,332	11,325	3,685
Law Library	2,576	2,292	3,414	1,454
Recycling Fund	337	1,265	1,340	262
Circuit Clerk Interest	1,489	888	0	2,377
Associate Circuit Division Interest	2,491	1,250	2,545	1,196
Sheriff Building	0	1,000	0	1,000
Federal Forfeiture	0	4,946	3,000	1,946
Total	\$ 1,435,622	2,450,071	2,446,983	1,438,710

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

Exhibit A-2

SHANNON 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	\$ 122,944	660,770	738,526	45,188
Special Road and Bridge	689,760	788,195	587,431	890,524
Assessment	3,910	73,771	78,728	(1,047)
Law Enforcement Training	620	1,723	1,875	468
Prosecuting Attorney Training	(149)	516	362	5
Health Center	378,154	761,654	684,727	455,081
Senate Bill 40 Board	7,799	62,626	43,300	27,125
Recorder's User Fees	882	4,058	3,269	1,671
Special Law Enforcement	14,144	5,642	13,156	6,630
Shelter for Abused Victims	120	660	0	780
Drug Enforcement	(458)	458	0	0
Prosecuting Attorney Sales Tax Collections	635	1,265	1,274	626
Community Development Block Grant	41,937	1,200	43,137	0
Sheriff Civil Fee	0	5,115	3,437	1,678
COPS	(4,448)	4,448	0	0
Sheriff's Special	959	0	959	0
Sheriff's Transportation	926	0	926	0
Law Library	450	3,246	1,120	2,576
Recycling Fund	0	595	258	337
Circuit Clerk Interest	1,680	1,652	1,843	1,489
Associate Circuit Division Interest	2,888	1,137	1,534	2,491
Total	\$ 1,262,753	2,378,731	2,205,862	1,435,622

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

Exhibit B

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

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 131,500	75,805	(55,695)	117,200	79,161	(38,039)
Sales taxes	190,000	178,946	(11,054)	170,000	184,807	14,807
Intergovernmental	132,500	206,123	73,623	77,500	194,671	117,171
Charges for services	151,000	156,885	5,885	149,750	146,998	(2,752)
Interest	10,000	5,988	(4,012)	7,000	8,264	1,264
Other	8,700	9,816	1,116	8,120	21,595	13,475
Transfers in	26,400	120,728	94,328	25,200	25,274	74
Total Receipts	650,100	754,291	104,191	554,770	660,770	106,000
DISBURSEMENTS						
County Commission	63,198	62,599	599	36,868	37,281	(413)
County Clerk	45,260	44,985	275	37,766	37,823	(57)
Elections	1,000	113	887	22,676	20,473	2,203
Buildings and grounds	50,072	41,955	8,117	50,073	55,576	(5,503)
Employee fringe benefits	77,220	95,289	(18,069)	77,220	72,331	4,889
County Treasurer	25,404	23,443	1,961	17,194	16,976	218
County Collector	52,039	54,598	(2,559)	43,159	43,259	(100)
Ex Officio Recorder of Deeds	12,648	11,850	798	12,644	13,367	(723)
Circuit Clerk	7,300	4,748	2,552	7,300	6,179	1,121
Associate Circuit Court	7,580	7,483	97	7,580	8,378	(798)
Court administration	1,131	623	508	1,106	925	181
Public Administrator	11,417	12,309	(892)	11,417	12,784	(1,367)
Sheriff	132,579	193,450	(60,871)	132,579	187,190	(54,611)
Jail	25,231	34,523	(9,292)	25,231	38,857	(13,626)
Prosecuting Attorney	56,002	56,755	(753)	40,927	43,989	(3,062)
Juvenile Officer	42,637	40,013	2,624	43,592	40,812	2,780
County Coroner	7,747	10,663	(2,916)	7,747	10,315	(2,568)
Public Defender	1,065	1,320	(255)	1,075	1,075	0
Other	45,369	53,688	(8,319)	44,819	70,500	(25,681)
Transfers out	14,500	31,650	(17,150)	7,500	18,000	(10,500)
Emergency Fund	15,000	0	15,000	10,000	2,436	7,564
Total Disbursements	694,399	782,057	(87,658)	638,473	738,526	(100,053)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(44,299)	(27,766)	16,533	(83,703)	(77,756)	5,947
CASH, JANUARY 1	70,250	45,188	(25,062)	84,978	122,944	37,966
CASH, DECEMBER 31	\$ 25,951	17,422	(8,529)	1,275	45,188	43,913

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

Exhibit C

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

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 122,500	94,579	(27,921)	65,000	124,241	59,241
Intergovernmental	629,900	647,741	17,841	635,000	633,065	(1,935)
Interest	10,000	36,728	26,728	0	29,903	29,903
Other	0	7,508	7,508	0	986	986
Total Receipts	<u>762,400</u>	<u>786,556</u>	<u>24,156</u>	<u>700,000</u>	<u>788,195</u>	<u>88,195</u>
DISBURSEMENTS						
Salaries	212,000	243,620	(31,620)	215,693	207,512	8,181
Employee fringe benefits	60,500	58,476	2,024	57,645	48,647	8,998
Supplies	118,000	125,456	(7,456)	127,200	106,595	20,605
Insurance	18,260	16,808	1,452	16,708	17,365	(657)
Equipment repairs	0	16,450	(16,450)	0	0	0
Distributions to cities	0	26,245	(26,245)	0	25,444	(25,444)
Equipment purchases	144,140	48,190	95,950	65,904	73,924	(8,020)
Construction, repair, and maintenance	136,000	77,347	58,653	107,500	76,678	30,822
Other	11,100	10,043	1,057	9,350	9,666	(316)
Emergency fund	100,000	0	100,000	100,000	0	100,000
Transfers out	22,800	117,128	(94,328)	21,600	21,600	0
Total Disbursements	<u>822,800</u>	<u>739,763</u>	<u>83,037</u>	<u>721,600</u>	<u>587,431</u>	<u>134,169</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(60,400)	46,793	107,193	(21,600)	200,764	222,364
CASH, JANUARY 1	876,992	890,524	13,532	382,416	689,760	307,344
CASH, DECEMBER 31	<u>\$ 816,592</u>	<u>937,317</u>	<u>120,725</u>	<u>360,816</u>	<u>890,524</u>	<u>529,708</u>

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

Exhibit D

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

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 63,200	46,425	(16,775)	63,250	55,771	(7,479)
Transfers in	12,500	30,650	18,150	7,500	18,000	10,500
Total Receipts	<u>75,700</u>	<u>77,075</u>	<u>1,375</u>	<u>70,750</u>	<u>73,771</u>	<u>3,021</u>
DISBURSEMENTS						
Assessor	75,276	76,697	(1,421)	74,478	78,728	(4,250)
Total Disbursements	<u>75,276</u>	<u>76,697</u>	<u>(1,421)</u>	<u>74,478</u>	<u>78,728</u>	<u>(4,250)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	424	378	(46)	(3,728)	(4,957)	(1,229)
CASH, JANUARY 1	(363)	(1,047)	(684)	4,363	3,910	(453)
CASH, DECEMBER 31	<u>\$ 61</u>	<u>(669)</u>	<u>(730)</u>	<u>635</u>	<u>(1,047)</u>	<u>(1,682)</u>

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

Exhibit E

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

	Year Ended December 31,		
	1999		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	\$ 1,700	6,600	4,900
Total Receipts	1,700	6,600	4,900
DISBURSEMENTS			
Sheriff	2,000	2,117	(117)
Total Disbursements	2,000	2,117	(117)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(300)	4,483	4,783
CASH, JANUARY 1	468	468	0
CASH, DECEMBER 31	\$ 168	4,951	4,783

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

Exhibit F

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

	Year Ended December 31,		
	1999		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	\$ 500	887	387
Total Receipts	500	887	387
DISBURSEMENTS			
Prosecuting Attorney	500	0	500
Total Disbursements	500	0	500
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	887	887
CASH, JANUARY 1	0	5	5
CASH, DECEMBER 31	\$ 0	892	892

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

Exhibit G

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

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 35,000	39,294	4,294	4,000	11,182	7,182
Intergovernmental	647,000	688,137	41,137	649,300	650,885	1,585
Charges for services	2,400	4,119	1,719	5,100	2,385	(2,715)
Interest	21,000	20,433	(567)	18,000	20,065	2,065
Other	250	300	50	5,000	77,137	72,137
Total Receipts	<u>705,650</u>	<u>752,283</u>	<u>46,633</u>	<u>681,400</u>	<u>761,654</u>	<u>80,254</u>
DISBURSEMENTS						
Salaries	526,490	538,632	(12,142)	469,882	519,096	(49,214)
Office expenditures	69,000	60,441	8,559	66,700	66,480	220
Equipment	23,600	28,341	(4,741)	18,800	23,314	(4,514)
Mileage and training	20,000	18,752	1,248	20,000	18,996	1,004
Other	64,000	134,316	(70,316)	104,200	56,841	47,359
Total Disbursements	<u>703,090</u>	<u>780,482</u>	<u>(77,392)</u>	<u>679,582</u>	<u>684,727</u>	<u>(5,145)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,560	(28,199)	(30,759)	1,818	76,927	75,109
CASH, JANUARY 1	384,217	455,081	70,864	376,526	378,154	1,628
CASH, DECEMBER 31	<u>\$ 386,777</u>	<u>426,882</u>	<u>40,105</u>	<u>378,344</u>	<u>455,081</u>	<u>76,737</u>

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

Exhibit H

SHANNON COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 RECORDER'S USER FEES FUND

	Year Ended December 31,		
	1999		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	\$ 4,000	3,546	(454)
Total Receipts	4,000	3,546	(454)
DISBURSEMENTS			
Recorder	4,000	1,433	2,567
Total Disbursements	4,000	1,433	2,567
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	2,113	2,113
CASH, JANUARY 1	1,671	1,671	0
CASH, DECEMBER 31	\$ 1,671	3,784	2,113

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

Exhibit I

SHANNON COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 SHELTER FOR ABUSED VICTIMS FUND

	Year Ended December 31,		
	1999		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	\$ 500	660	160
Total Receipts	500	660	160
DISBURSEMENTS			
Contractual agreements	800	800	0
Total Disbursements	800	800	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(300)	(140)	160
CASH, JANUARY 1	780	780	0
CASH, DECEMBER 31	\$ 480	640	160

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

Exhibit J

SHANNON COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 PROSECUTING ATTORNEY SALES TAX COLLECTIONS FUND

	Year Ended December 31,		
	1999		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	\$ 1,200	2,054	854
Total Receipts	1,200	2,054	854
DISBURSEMENTS			
Transfer out	1,200	1,200	0
Total Disbursements	1,200	1,200	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	854	854
CASH, JANUARY 1	626	626	0
CASH, DECEMBER 31	\$ 626	1,480	854

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

Exhibit K

SHANNON COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 SHERIFF CIVIL FEE FUND

	Year Ended December 31,		
	1999		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	\$ 4,000	13,332	9,332
Total Receipts	4,000	13,332	9,332
DISBURSEMENTS			
Sheriff	8,000	11,325	(3,325)
Total Disbursements	8,000	11,325	(3,325)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,000)	2,007	6,007
CASH, JANUARY 1	4,383	1,678	(2,705)
CASH, DECEMBER 31	\$ 383	3,685	3,302

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

Exhibit L

SHANNON COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 RECYCLING FUND

	Year Ended December 31,		
	1999		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	\$ 600	1,265	665
Total Receipts	600	1,265	665
DISBURSEMENTS			
Operating expenses	600	1,340	(740)
Total Disbursements	600	1,340	(740)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(75)	(75)
CASH, JANUARY 1	337	337	0
CASH, DECEMBER 31	\$ 337	262	(75)

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

Exhibit M

SHANNON COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 CIRCUIT CLERK INTEREST FUND

	Year Ended December 31,		
	1999		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	\$ 1,200	888	(312)
Total Receipts	1,200	888	(312)
DISBURSEMENTS			
Supplies	2,680	0	2,680
Total Disbursements	2,680	0	2,680
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,480)	888	2,368
CASH, JANUARY 1	1,480	1,489	9
CASH, DECEMBER 31	\$ 0	2,377	2,377

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

Exhibit N

SHANNON COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 ASSOCIATE CIRCUIT DIVISION INTEREST FUND

	Year Ended December 31,		
	1999		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	\$ 1,136	1,250	114
Total Receipts	1,136	1,250	114
DISBURSEMENTS			
Supplies	2,500	2,545	(45)
Total Disbursements	2,500	2,545	(45)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,364)	(1,295)	69
CASH, JANUARY 1	2,438	2,491	53
CASH, DECEMBER 31	\$ 1,074	1,196	122

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

Exhibit O

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

	Year Ended December 31,		
	1999		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Transfer in	\$ 2,000	1,000	(1,000)
Total Receipts	2,000	1,000	(1,000)
DISBURSEMENTS			
Supplies	0	0	0
Total Disbursements	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,000	1,000	(1,000)
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	\$ 2,000	1,000	(1,000)

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

Notes to the Financial Statements

SHANNON 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 Shannon 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 Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

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

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

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

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Enforcement Training Fund	1998
Prosecuting Attorney Training Fund	1998
Senate Bill 40 Board Fund	1999 and 1998
Recorder's User Fees Fund	1998
Special Law Enforcement Fund	1999 and 1998
Shelter for Abused Victims Fund	1998
Drug Enforcement Fund	1998
Community Development Block Grant Fund	1998
Sheriff Civil Fee Fund	1998
COPS Fund	1998
Sheriff's Special Fund	1998
Sheriff's Transportation Fund	1998
Law Library Fund	1999 and 1998
Recycling Fund	1998
Sheriff Building Fund	1999
Circuit Clerk Interest Fund	1998
Associate Circuit Interest Fund	1998

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

<u>Fund</u>	<u>Years Ended December 31,</u>
General Revenue Fund	1999 and 1998
Assessment Fund	1999 and 1998
Law Enforcement Training Fund	1999
Health Center Fund	1999 and 1998
Sheriff Civil Fee Fund	1999
Recycling Fund	1999
Associate Circuit Division Interest Fund	1999

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

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.

As of August 31, 2000, the county had not published its financial statement for the year ended December 31, 1999. The county's published financial statement for the year ended December 31, 1998, did not include the Health Center or Senate Bill 40 Funds.

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. 1999, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

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

The county's deposits at December 31, 1999 and 1998, were entirely covered by federal depository insurance, by collateral securities held by the county's custodial bank in the county's name, or by commercial insurance provided through a surety bond.

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

Of the Health Center Board's bank balance at December 31, 1999, \$464,096 was covered by federal depository insurance, by collateral securities held by the Health Center Board's custodial bank in the Health Center Board's name, or by commercial insurance provided through a surety bond, and \$4,142 was uninsured and uncollateralized.

Furthermore, because of significantly higher bank balances at certain times during the year, the amounts of uninsured and uncollateralized balances for the Health Center Board were substantially higher at those times than such amounts at year-end.

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

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

The Senate Bill 40 Board's deposits at December 31, 1999 and 1998, were entirely covered by federal depositary insurance.

3. Prior Period Adjustment

The Special Road and Bridge Fund cash balance at January 1, 1998, as previously stated has been increased by \$25,413 to reflect interest earned on a certificate of deposit during the two years ended December 31, 1997, not previously included.

Schedule

SHANNON COUNTY, MISSOURI
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 1999 AND 1998

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

99-1.	County Financial Records and Procedures
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The audited reconciled cash balances presented in the financial statements do not agree to the cash balances presented on the County Treasurer's semi-annual settlements or the county's budget documents, and those records do not even agree with each other. During our review of these documents, we noted the following concerns:

- A. The County Clerk and County Treasurer do not reconcile their accounting records. As a result, errors on the semi-annual settlements prepared by the County Treasurer and errors on actual amounts reported on the budgets prepared by the County Clerk went undetected.

Section 51.150.1, RSMo 1994, requires the County Clerk to keep regular accounts with the County Treasurer. To provide the type of check-and-balance system required by state law, to ensure errors and omissions are detected on a timely basis, and to provide accurate financial reporting, the County Clerk and the County Treasurer should regularly reconcile their accounting records.

- B. The County Treasurer uses his fund ledgers to prepare the semi-annual settlements (SAS). The SAS is a report to the County Commission of the receipts and disbursements and ending cash balances of all funds and shows the reconciliation of total cash balances to the bank account balances. The following concerns were noted:

- The total of the ending cash balance for all funds on the SAS is not reconciled to the county's reconciled bank balances.
- Interest earned on Special Road and Bridge Fund monies held in certificates of deposit (CD's) is not properly recorded on the SAS. Interest is not recorded by the County Treasurer until the CD is cashed or redeemed, resulting in untimely recording of the related interest. In addition, purchases and redemptions of CD's are included in actual revenues and expenditures on the semi-annual settlements, which overstate both the sources and uses of county funds. These errors have been corrected in the financial statements presented in this report.

WE RECOMMEND:

- A. Accounting records of the County Clerk and County Treasurer should be periodically reconciled and all reconciling items documented. In addition, the County Clerk should maintain an account book for all county funds.
- B. The County Treasurer reconcile the SAS to the bank account balances and record interest earned in a timely manner.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

- A. *The County Clerk and the County Treasurer indicated they have implemented reconciliation procedures. The County Clerk indicated she will begin maintaining account books for all funds during 2001.*
- B. *The County Treasurer indicated he will implement this recommendation immediately.*

99-2. County Payroll Tax Procedures
--

As of December 31, 1999, the Special Road and Bridge Fund is owed \$105,166 and \$20,866 by the General Revenue and Assessment Funds, respectively. As noted in our prior report, during 1997 the county began remitting employee payroll tax withholdings through an automatic withdrawal at the bank. The payroll taxes for all county employees were deducted from the Special Road and Bridge Fund's bank account. This process, which continued until early 1999 when a separate payroll account was opened, resulted in the General Revenue and Assessment Fund liability to the Special Road and Bridge Fund.

Special Road and Bridge Fund receipts are restricted revenues that are to be used only for expenses directly related to building and maintaining county roads and should not be used to pay payroll taxes of employees who are paid from county funds. This situation resulted, at least in part, from the county's poor financial condition. See also Letter on Other Matters number 1.

WE RECOMMEND the County Treasurer obtain a transfer order to reimburse the Special Road and Bridge Fund for employee withholdings from the General Revenue Fund and Assessment Fund.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk and the County Treasurer indicated they will implement this recommendation within the first six months of 2001.

99-3. County Published Financial Statements
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The county did not publish a financial statement for the year ended December 31, 1999. In addition, the county's published financial statement for the year ended December 31, 1998

did not include the Senate Bill 40 Board Fund and the Health Center Fund. This is a significant violation of state law which is intended to inform the public of the county's financial activity on an annual basis.

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, disbursements, and beginning and ending balances for each fund.

WE RECOMMEND the County Commission ensure complete financial statements are prepared and published annually.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk and the County Treasurer indicated the 1999 financial statement was published in September 2000. They also indicated future financial statements will be published on a timely basis and will include the Health Center and Senate Bill 40 Funds.

Follow-Up on Prior Audit Findings

SHANNON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT OF FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Shannon County, Missouri, on certain findings in our prior audit report issued for the two years ended December 31, 1997. The findings are those that *Government Auditing Standards* requires to be reported for an audit of financial statements.

2. Reconciliation of County Records

The County Clerk did not maintain an account book with the County Treasurer for some funds, and documentation was not maintained to indicate that their records were reconciled. As a result, numerous differences were noted between the County Treasurer's and County Clerk's records.

Recommendation:

The County Clerk maintain an account book for all county funds. Accounting records of the County Clerk and County Treasurer should be periodically reconciled and all reconciling items documented.

Status:

Not implemented. See finding number 99-1.

3. County Treasurer's Controls and Procedures

A. The total of the ending cash balance for all funds on the Treasurer's semi-annual settlement did not agree to the bank reconciliation portion of the settlement. In addition, the Treasurer's semi-annual settlement did not document the reconciliation between the total ending cash balance and the balance in the bank accounts.

B. The payroll taxes for all county employees were deducted from the Special Road and Bridge Fund's bank account. As a result, as of December 31, 1997, liabilities of \$24,319 and \$7,385 were due from the General Revenue Fund and the Assessment Fund, respectively, to the Special Road Fund's bank account for withholdings paid on behalf of employees paid by those funds.

Recommendation:

A. Prepare a complete and accurate semi-annual settlement and promptly post correcting entries to the fund ledgers.

B. Open a new bank account to account for all payroll withholdings. In addition, the County Treasurer should obtain a transfer order to reimburse the Special Road and

Bridge Fund for employee withholdings from the General Revenue Fund and Assessment Fund.

Status:

- A. Not implemented. See finding number 99-1.
- B. Partially implemented. While the county opened a new account in 1999, no transfer of funds was made. See finding number 99-2.

SECTION ON OTHER MATTERS

SHANNON COUNTY, MISSOURI
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Shannon County, Missouri, as of and for the years ended December 3, 1999 and 1998, and have issued our report thereon dated August 31, 2000.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings. These matters resulted from our audit of the special-purpose financial statements of Shannon County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with Government Auditing Standards. Nevertheless, the county should consider these matters and take appropriate action.

1. County Financial Condition

The county has experienced a significant decline in the cash balance of the General Revenue Fund over the past several years. The cash balance in the General Revenue Fund has decreased from \$122,944 as of December 31, 1997 to \$17,422 as of December 31, 1999. For 2000, the county budgeted revenues of \$678,900 and expenditures of \$693,128, resulting in an estimated ending cash balance of \$3,194. Also, at December 31, 1999, the General Revenue Fund owed \$105,166 to the Special Road and Bridge Fund for payroll taxes, as noted in finding number 99-2.

The County Commission should review expenditures and reduce discretionary amounts as much as possible. In addition, the County Commission should review budgetary and accounting controls and attempt to maximize all revenues, and if necessary, consider other revenue sources such as sales tax.

2. Budgetary Reporting and Procedures

Disbursements were made in excess of approved budgets for some county funds. Budgets were not prepared for some special revenue funds. The Special Road and Bridge Fund budgeted disbursements significantly exceeded actual disbursements for 1999 and 1998.

3. County Clerk's Procedures

The County Clerk does not maintain an account book with the County Collector. Section 51.150.2, RSMo 1994, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

4. County Treasurer's Procedures

The Treasurer distributes all interest earned from the general bank account to the General Revenue Fund rather than to the various funds which are held in the account. Also, while the Treasurer performs monthly bank reconciliations, he does not maintain adequate documentation to support his reconciling items.

5. Payroll Records and Policies

Road and Bridge employees are the only county employees required to prepare time sheets. Time sheets are necessary to determine compliance with the Fair Labor Standards Act. No centralized leave records are maintained to document vacation and sick leave and compensatory time earned, taken and accumulated. In addition, the county does not have a written policy regarding overtime worked by county employees.

6. Special Road and Bridge Fund Tax Distribution

The county distributes Special Road and Bridge Fund property taxes to various applicable cities in the county; however, the county does not have a written agreement with these cities, does not monitor these distributions to ensure they are used only for road and bridge purposes as required by state law, and does not reflect these payments on its budget.

7. Senate Bill 40 Board

The Senate Bill 40 Board did not prepare a formal budget for each of the two years ended December 31, 1999. In addition, the Board has not updated its contract with Three Rivers Sheltered Workshop since 1993 and has not reviewed the audit on the Three Rivers Sheltered Workshop.

8. Property Record and Procedures

The County department officers or their designees do not maintain adequate general fixed assets records or perform annual physical inventories in accordance with Section 49.093 RSMo Cumulative Supp. 1999. Adequate general fixed asset records and inventory procedures are necessary to meet statutory requirements, safeguard county assets, and provide a basis for determining proper insurance coverage.

9. Interfund Transfers

No documentation is maintained to indicate approval of interfund transfers and to support amounts transferred. Documentation of transfers made between funds is necessary to ensure all transfers are approved by the County Commission and properly recorded in county financial records.

10. Schedule of Expenditures of Federal Awards

The county's schedule of expenditures of federal awards (SEFA) contained various errors and omissions for the years ended December 31, 1999 and 1998. The SEFA should be accurately prepared to ensure all federal awards are properly recorded.

This letter on Other Matters is intended for the information of the management of Shannon County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.